An tÚdarás Pinsean
The Pensions Authority

How does my pension scheme work?

A guide for members of occupational pension schemes

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Date last updated: March 2024

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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 gives an overview of **occupational pension schemes** (referred to hereafter as 'pension scheme(s)'), how they work and the information that must be given to scheme **members**.

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 these terms in the glossary of terms at the end of the guide.

If you join a pension scheme, you are entitled to information about your pension benefits, how the scheme is run and how the pension fund is performing. The **trustees** of the scheme must give you this information or make it available to you. Your employer must also give you certain information.

Trustees must give you minimum information by law, and do so in a way that is clear, not misleading, easy to read and understand.

2. The importance of pensions

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.

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 retirement 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 planning for your retirement the better.

Your State pension will provide you with a basic level of retirement income, provided you qualify. Further information about State pensions is available on the Department of Social Protection's website www.welfare.ie.

This guide provides information relating to pension schemes. For information on individual contract-based retirement savings arrangements (**RACs** and **PRSAs**), see the guides 'What are my pension options?' and 'PRSAs – A consumer and employers' guide to PRSAs' available here.

3. Occupational pension schemes

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**, and/or
- death benefits for the **dependant(s)** of **members**.

Who can join a pension scheme?

There is no legal obligation on an employer to set up a pension scheme, but if they don't, they need to provide their employees with access to some form of retirement savings arrangement, i.e., a **PRSA**. For more information on **PRSAs** see 'PRSAs – A consumer and employers' guide to PRSAs', available here.

If you are not already a **member** of a pension scheme, you should check and see if your employer offers such a scheme and whether you are eligible to join.

How do I know if I am being treated equally with regard to my pension?

The principle of equal pension treatment is that there should be no discrimination on any of nine discriminatory grounds in respect of any rule of an **occupational benefit scheme**. These grounds include gender, civil status and disability. The principle of equal treatment applies in relation to rules governing such matters as:

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

Further details are set out in the Authority's guide 'A brief guide to equal pension treatment' available here.

What if I am a part-time or fixed-term worker?

The Protection of Employees (Part-Time Work) Act, 2001 and the Protection of Employees (Fixed-Term Work) Act, 2003 require that there is no discrimination between part-time and fixed-term employees and their comparable full-time counterparts. This means that if an employer provides a pension scheme for its full-time and/or permanent workers, then access to the pension scheme must also be possible for comparable part-time and fixed-term workers, unless exclusion can be justified on objective grounds. An exception to this is possible if a part-time employee works less than 20% of the normal hours of the comparable full-time employee.

Further details are set out in the Authority's guide 'What are my pension options?', which is available here.

How is my pension scheme established?

Pension schemes are normally set up either under **trust** or on a statutory basis. Statutory schemes are set up by legislation and provide benefits for employees in the public sector or semi-state bodies.

A **trust** is a legal arrangement used to establish a pension scheme under which **trustees** hold the **assets** in a **trust fund** for the benefit of the **members** and their **dependants**, and for the purpose of providing income in retirement.

Who looks after my pension scheme?

Where your pension scheme is set up under **trust**, the **assets** are looked after by **trustees** on behalf of **members**, their **dependants**, and other beneficiaries.

There are three types of pension scheme **members**:

- **active members** – those who are currently in the employment of the sponsoring employer, have joined the pension scheme and are building up retirement benefits,

- **deferred members** – those who joined the pension scheme but who have left the employment of the sponsoring employer with an entitlement to a **preserved benefit** and have not yet retired, and

- pensioners – those who are in receipt of a pension from the pension scheme.

Pension schemes may also have other beneficiaries, such as **dependants** of **members**, who are entitled to benefits or would become entitled to benefits, for example on the death of a **member**.

Pension schemes must be managed properly with the aim of paying **member** benefits when they are due, in accordance with the rules of the pension scheme. Under trust law and the **Pensions Act**, pension scheme **trustees** must ensure that their schemes are run and governed properly, and they must protect your rights as a scheme **member**.

In most pension schemes, **trustees** do not actually carry out the day-to-day running of the scheme. They usually appoint an administrator, an investment manager and other pension scheme consultants to look after the scheme.

Trustees of funded schemes must appoint a **registered administrator** to carry out certain functions relating to the scheme; these include preparing the **trustee** annual report and the annual pension benefit statements for **members**. **Registered administrators** are regulated by the Authority and a list of **registered administrators** can be found here.

Trustees must also appoint a **risk management function** holder and an **internal audit function** holder. These key function holders must report to the **trustees** and have an important role to play in the governance of a pension scheme.

No matter who looks after the day-to-day running of the scheme, **trustees** are still responsible for making sure the scheme is well run and managed and that **members** receive information about their scheme and their entitlements.

They are also responsible for 'whistle-blowing' to the Authority if they believe something is seriously wrong. Further information about 'whistle-blowing' obligations in the context of pension schemes can be found here.

Where do I get more information on being a trustee?

Information on the duties and responsibilities of **trustees** can be found in the various documents available on the Authority's website, which include checklists and guides, guidance, FAQs and the Authority's 'Code of Practice for trustees'.

In some pension schemes, **members** can nominate representatives to act as **member** nominated **trustees**. For more information, see the Authority's guide 'Member participation in the selection of trustees' available here.

What are the main types of pension scheme?

There are two main types of pension scheme:

- **Defined benefit (DB) scheme (also known as 'final salary scheme')** which provides **members** with retirement and/or death benefits based on 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 their completed pensionable service. 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 (DC) scheme (also known as 'money purchase plan')** which provides 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 **members** will receive at retirement.

A hybrid pension scheme is one which has both DB elements and DC elements. There are many possible types of hybrid schemes, and section 6 describes a number of different schemes in more detail.

What information should I be receiving about my pension?

No matter what type of pension scheme is provided, by law **trustees** must provide certain information about the operation of the scheme. The information provided must be regularly updated, consistent, not misleading, clearly written, avoiding the use of jargon where possible and presented in a way that is easy to read.

There are different types of information that **trustees** must provide, including:

- legal documents,
- basic scheme information,
- individual **member** information,
- details of investment and other options, if any, and
- reports on the running of the scheme and its financial position.

Throughout this guide we will provide further details of the information that you are entitled to receive in particular circumstances.

Legal documents

Every pension scheme is governed by a set of legal documents. These include:

- a **trust** deed or equivalent document, which sets out how the scheme is governed,
- the rules of the scheme, which defines the terms and conditions of the scheme, including eligibility conditions, the benefits payable from the scheme, and the contributions payable, and
- amendments or supplements to the **trust** deed or the rules.

Since 2021, a copy of these documents must be provided to every **member** or **beneficiary** within two months of becoming a **member** or within two months of benefits becoming payable to the **beneficiary**.

Trustees must always make these documents available to:

- **members**,
- employees likely to become **members**,
- spouses/civil partners,
- beneficiaries,
- a representative, and
- trade unions.

If you request these documents, you must be able to inspect them or receive a copy of them within four weeks. The **trustees** are only obliged to show you the parts of the documents that relate to your own benefit entitlements. The **trustees** may charge you a reasonable fee to receive a copy of the documents, but there can be no charge for inspecting them.

Trustees must also notify **members** and beneficiaries of any changes to the scheme rules not later than four weeks after the date of the change. In doing so they must provide the contents of any document which amends or supplements the **trust deed and/or rules.**

4. Defined benefit schemes

A **DB scheme** fixes the benefit formula in advance – usually this will be a proportion of the **member's** salary when they retire. For instance, a **DB scheme** might provide a pension at retirement of 1/80th of final salary for each year an employee was in the scheme. If an employee retired after 40 years, that employee would receive a pension of 40/80ths (50%) of their final salary before retirement. Such schemes are also known as 'final salary' **DB schemes**.

In a **DB scheme**, it is not possible to know in advance how much the scheme is going to cost. The benefit formulae are fixed, and the contributions must be adjusted from time to time to make sure that a sufficient amount is being set aside and accumulated to provide the promised benefits. It is usual in a **DB scheme** for the **member's** contribution rate to be fixed (for example as a set percentage of salary) and for the employer rate to increase or reduce as needed, though in some **DB schemes** both employer and employee contribution rates change from time to time.

However, it is important to know that **DB scheme** benefits are not guaranteed. If the scheme's **assets** are not sufficient to pay the benefits, and the employer is not able to meet the shortfall, promised benefits may have to be reduced.

Main features of a final salary DB scheme

The following are the main features of a final salary **DB scheme**:

- Contribution rates paid by employers vary, depending on the outcomes of the regular **actuarial valuations**.
- **Members** can predict the benefits they will receive as a proportion of their salary, usually, just before retirement.
- The level of benefit payable to **members** often takes into account the level of State pension paid to the **member** (this is known as 'integration' and is explained further in section 7).
- The higher the investment return achieved by the scheme, the lower the contribution rate will be. On the other hand, if investment returns are poor, contribution rates may have to be increased to provide the promised benefits.
- The value placed on a pension by the scheme actuary affects the contribution rate.

- To give some protection to the security of the pension promise, the **Pensions Act** requires that each **DB scheme** checks each year that it has accumulated a minimum amount of **assets** to meet the **liabilities** accrued (built up) by **members** to date. This is called the **funding standard** requirement, and if a scheme fails to meet the **funding standard** requirement, steps must be taken to remedy the position or else **member** benefits may have to be reduced or the scheme wound up (terminated). The **funding standard** incorporates a risk reserve which each **DB scheme** must hold to allow for adverse future experience relating to the scheme's **assets** and/or **liabilities**.

Career average schemes

Career average schemes are DB in nature but are a variation of the traditional DB design. The benefit offered is based on the average earnings throughout the **member's** entire career rather than on the earnings at or close to retirement. These earnings may be revalued up to the point of retirement in line with some index, for instance the Consumer Price Index (CPI). Such schemes are known as career average revalued earnings (CARE) schemes.

An employee whose earnings grow by more than the revaluation rate (for example through promotional increases) will get lower retirement benefits from a career average scheme than from a comparable final salary scheme.

How do I know there is enough money in the scheme to provide my pension?

Employees and employers usually pay regular monthly and/or annual payments into a pension scheme and the money gathered is set aside in the scheme's **trust fund**. This fund is kept separate from the employer's business accounts, ensuring that existing funds will be available to pay **members'** pensions even if the employer goes out of business.

At least every three years, the **DB scheme's** actuary values the **liabilities** of the scheme, compares this to the value of the scheme's **assets** and calculates the amount of money that must be paid into the scheme in future years to meet the promised benefits.

The triennial **actuarial valuation** report sets out the results of the assessment of **assets** and **liabilities** of a **DB scheme** at a specified date. The report must be made available on request within nine months of the specified date of the **actuarial valuation**.

A copy of an **actuarial valuation** report must be given to the following persons within four weeks of a request:

- **members**,
- employees likely to become **members**,
- spouses/civil partners,
- beneficiaries, and
- trade unions.

Trustees may charge you a reasonable fee to provide a copy of the report, but there can be no charge for inspecting it.

In accordance with the **funding standard** provisions of the **Pensions Act**, a **DB scheme** actuary must also carry out annual checks of the scheme's capacity to pay minimum benefits to its **members** specified in legislation. Information about these checks must be reported in the **trustee** annual report. Further details about this can be found below.

Does the Pensions Authority monitor the financial strength of DB pension schemes?

The Authority monitors the financial strength of **DB schemes** through monitoring compliance with the **funding standard** requirements of the **Pensions Act**.

The **funding standard** provisions of the **Pensions Act** set out the minimum **assets** that a **DB scheme** must hold at any point in time, and the rules that apply if the scheme falls short. The **funding standard** is designed to provide a level of protection of the pensions that **DB scheme members** have already built up or 'accrued' were the scheme to be wound up.

At least every three years the actuary must prepare an **actuarial funding certificate (AFC)** and submit it to the Authority.

An **AFC** indicates whether or not a pension scheme meets the **funding standard,** i.e., whether it can meet the **funding standard liabilities** that have been accrued by **members** to the effective date of the certificate, were the scheme to wind up (terminate) at that date. These **liabilities** include the pensions payable to existing pensioners, the benefits payable to **deferred members** when they reach retirement

age, and the accrued benefits payable to **active members** assuming they left service at the effective date.

The **funding standard** incorporates a risk reserve to allow for adverse future experience relating to the scheme's **assets** and/or **liabilities** and this must be reported on separately through a **funding standard reserve certificate (FSRC)**.

If the **AFC** and/or the **FSRC** indicate that a scheme would not meet its statutory **liabilities** on wind-up, the **trustees** must submit a **funding proposal** to the Authority that explains how they propose to deal with the **funding standard** deficit over the following three years. In certain circumstances, the Authority can allow the **trustees** more time to rectify the scheme's funding level.

The Authority has the power to direct **trustees** of **DB schemes** to reduce benefits under a scheme or wind up a scheme. These powers can be used by the Authority in certain circumstances, for example where a **DB scheme** does not satisfy the statutory **funding standard** and the **trustees** have failed to submit the required funding certificates.

The Authority has powers to require pension schemes to conduct a 'stress-test' to identify deteriorating financial conditions in a pension scheme and to monitor how that deterioration is remedied. To that end, the Authority has developed a **DB scheme** monitoring tool or 'risk measure' which is available here.

What other obligations do the trustees have regarding the funding of a DB scheme?

The **trustees** have a number of additional obligations:

- The actuary must include an 'inter-valuation statement' in the **trustee** annual report for each year. It must state whether, in the actuary's opinion, they are reasonably satisfied that they would certify that the scheme satisfies the **funding standard** at the last day of the period to which the annual report relates. If the **trustees** have previously submitted a **funding proposal** to the Authority, the inter-valuation statement must state whether in the actuary's opinion, the scheme is 'on-track' to meet the **funding standard** by the end of the period of the **funding proposal**.

  The **trustees** must notify the Authority if no statement has been made or a negative statement is included in the **trustee** annual report. The **trustees** must then have a full **AFC** prepared (and, if relevant, a **funding proposal**) with an effective date not earlier than the last day of the period to which the **trustee**

annual report relates. The **trustees** must submit that **AFC** to the Authority within 12 months of the last day of the period to which the annual report relates.

5. Defined contribution schemes

A **DC scheme** typically has a set contribution rate(s) for the **members** and a set contribution rate(s) for the employer. For example, the employer and the employee may each contribute 5% of the **member's** salary, i.e., 10% in total. Some **DC schemes** allow **members** to choose the level of contribution they wish to pay, with a related employer contribution. The **trust deed and rules** of a pension scheme (or individual notifications to **members**) will set out the contribution rates payable by **members** and the sponsoring employer.

Contributions are invested by the **trustees** on behalf of each scheme **member**. The retirement benefits each **member** will receive will depend on how much money has been built up by the **member's** retirement date and so it is not possible to know in advance how much a **member** will receive at retirement.

Main features of a DC scheme

The following are the main features of a **DC scheme**:

- Contribution rates are fixed in advance – employees and employers know what they have committed to pay.
- **Members** will not normally know until very close to retirement what their benefits will be.
- The higher the investment return achieved by the scheme before retirement, the better the pension benefits will be. On the other hand, if investment returns are poor, especially in the years just before retirement, retirement benefits will be lower than expected.
- In a **DC scheme**, the **member** builds up a fund over the period to retirement, which is used to fund retirement benefits, i.e., typically a tax-free lump sum plus an **annuity (pension)** or an **approved retirement fund (ARF)**. The cost of an **annuity** (pension) is unknown in advance, and it is to the **member's** advantage if the cost is low, but detrimental if the cost of buying a pension at retirement is high.
- If a **member's** salary increases rapidly throughout their working life, and especially towards the end, their DC benefits may be low relative to their earnings just before retirement.

How is my retirement fund invested?

As a **member** of a **DC scheme** or if there is a DC element to your **DB scheme**, you may be entitled to make some decisions about how your retirement fund is invested. For example, you may be able to invest in a combination of low-risk, medium-risk and high-risk investment funds.

If you do not choose to allocate your savings to different funds, your retirement fund will typically be invested in line with the pension scheme's default investment strategy selected by the **trustees**.

As you approach retirement age you should be careful to reassess your investment choices to ensure that your retirement fund is not invested in **assets** that are too risky, particularly if you are planning to use your retirement fund to take some cash or purchase an **annuity**. High risk investments such as equities could incur a severe loss at a time when you can least afford it and there is insufficient time for markets, and hence your funds, to recover.

What information should I get about my investment options?

If there are investment choices open to you, you or a **beneficiary** are entitled to the following information within three months of requesting it:

- The investment options available to you.
- The default investment strategy.
- The identity of the investment manager(s).
- Information on the investment portfolio, risk exposures and the costs related to investments.
- A general description of each investment choice in terms of its investment objectives, the risk and return characteristics, and the type and diversification of **assets** comprising the portfolio.
- When you may change your investment choices (known as 'switching').
- A description of the charges that effectively reduce your contributions and/or the rate of investment return.
- The contact name and address for enquiries about the investment options.

- If the scheme rules contain a **trustees'** disclaimer regarding poor investment returns, a statement to that effect.

- Information on the past performance of the scheme's investments for a minimum of five years or for as long as the scheme has been operating if less than five years.

Since 2021, **DC scheme members** are also entitled to receive the following information within two months of becoming a **member** of a **DC scheme** and/or within four weeks of requesting the information:

- The conditions regarding the range of investment options available.

- The default investment option, where applicable.

- The rules of the scheme to allocate a particular **member** to an investment option.

- Information on the past performance of the scheme's investments for a minimum of five years or for as long as the scheme has been operating if less than five years.

- The structure of costs borne by **members** and beneficiaries.

As a **DC scheme member**, you are entitled to be notified if any of this information changes within four weeks of the alteration date.

Furthermore, you are entitled to information on whether and how environmental, climate, social and corporate governance factors are considered in the investment approach, within four weeks of requesting such information.

What investment information should I receive before joining my employer's DC scheme?

Prospective members who are not automatically enrolled in their employer's **DC scheme** are entitled to receive certain information before joining the scheme. This includes the following investment information on:

- any relevant options available including investment options,

- whether and how environmental, climate, social and corporate governance factors are considered in the investment approach,

- the past performance of the scheme's investments for a minimum of five years or for as long as the scheme has been operating if less than five years, and

- the structure of the costs borne by the **members** and the beneficiaries.

6. Hybrid pension schemes

In a **DC scheme**, the **member** generally bears the full risk (of paying high costs or investment losses) if investment returns, or pension costs are unfavourable. In a **DB scheme**, the employer usually takes that risk and pays higher contributions in the event of investment losses, in order to maintain the agreed level of benefits. In hybrid pension schemes, the risk is shared between the employer and the employees. As a result, hybrid schemes may be provided where a **DC scheme** is not considered suitable, and a pure **DB scheme** is not considered feasible or affordable by the employer.

This section looks at a number of different types of hybrid scheme design, compares them with **DB schemes** and **DC schemes** and describes the main features and differences in each case. The schemes covered are combination hybrids, self-annuitising **DC schemes**, final salary lump sum schemes, underpin arrangements, cash balance schemes and fixed benefit/benefit unit schemes.

Combination schemes

In a combination scheme, a **member** may be accumulating two types of benefit simultaneously. This would typically be a DB element for a portion of income and a DC element on any earnings over that amount.

The experience of **members** of combination hybrid schemes will depend on what proportion of their earnings falls within the DB rules, what proportion falls under the DC rules and the rate of contribution for the DC element.

Under combination schemes, **members** on lower salaries will generally be almost entirely in the DB section and will have predictable retirement benefits. Those on higher salaries will have less predictable benefits and bear more investment and pension cost risk.

Self-annuitising DC schemes

These schemes operate identically to **DC schemes** until a **member** retires. At that point, the accumulated fund is converted to pension income, not necessarily at the market rate for pension costs (**annuity** rates), but in accordance with a process which is set out in the rules of the scheme. The pension is then paid from the scheme.

The retirement benefits are more predictable, because the cost of converting the accumulated fund at retirement into pension is more predictable. However, the retirement benefits will still depend on the contributions paid in and the net investment return earned before retirement.

Final salary lump sum schemes

Under these types of schemes, the retirement benefit is expressed as a lump sum at retirement, rather than as a pension. For example, the rules of the scheme may provide a lump sum at retirement of 20% of final salary for each year of service. If a **member** retired with 40 years' service, a lump sum of 20% times 40, i.e., 800% of final salary would be used to buy a pension for that **member** at the market cost at that date.

Members of these schemes can predict the lump sum they will be entitled to at retirement (as a percentage of final salary) but will not know the pension benefit that this will purchase, which will depend on the cost of buying a pension at that time.

Underpin arrangements

In an underpin scheme, there is both a DB and DC basis for benefits. At retirement, the **member** receives a benefit based on whichever calculation provides the better result. For instance, a scheme may have an employer and employee contribution rate of 6% of salary each, with a guarantee that at retirement, a pension of at least 1% of earnings for every year of service would be paid as a minimum.

Cash balance schemes

In a cash balance scheme, a **member's** benefit is an entitlement to a lump sum at retirement, in a similar fashion to a traditional **DC scheme**, which is then converted into an **annuity** (pension). The difference is that the amount in the **member's** account is not directly related to the returns achieved on the underlying investments. The returns may be guaranteed or smoothed (to offset any high or low peaks) or subject to some form of underwriting by the scheme. As a result, **member** benefits may be slightly more predictable.

The effect of this approach may be to make contributions less predictable. However, if the contribution rate is fixed, the result will be that investment gains and losses will be shared among **members**. Since the total amount of investment risk has not changed, the mechanism for achieving an equitable sharing of this risk amongst **members** may be quite complex.

Fixed benefit/benefit unit schemes

These schemes are DB in nature but without any link to earnings – a **member** usually accumulates a fixed monetary amount of annual pension every year. The amount of pension granted in any year depends on the amount of the contribution made, how long the **member** has until retirement and the actuarial factors being used by the scheme. At retirement, the **member** receives a pension equal to the total amount of the pension built up each year.

7. Integration with the State pension

A significant number of **DB schemes** and some **DC 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.

What is an integrated pension scheme?

An integrated pension scheme is one where the pension payable, or the design of the benefit promise made, takes account of the State pension.

Some schemes take account of the State pension by making an adjustment directly to the **member's** pension from the scheme. More commonly, an adjustment is made to a **member's** salary in calculating their **pensionable salary**.

Where a scheme's **normal retirement age** is lower than the State pension age, an additional temporary pension, sometimes called a 'bridging pension' may be provided until the pensioner becomes entitled to the State pension. However, as the State pension age has increased to age 66 it is now more common for there to be a gap between the age that **members** retire and receive benefits from their pension scheme, and the age at which they become entitled to the State pension.

If State benefits increase after I retire, will the increases be offset against my scheme pension?

No, it is unlawful to reduce an occupational pension which is already in payment to reflect an increase in the State pension.

8. Membership of a pension scheme

How do I join a pension scheme?

Each 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 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).

If you haven't been provided with any information, you should ask your employer if there is a pension scheme, what type of scheme it is, and whether you can join. **Prospective members** are entitled to certain information before joining a pension scheme if joining the scheme is not obligatory.

Where can I find out about my scheme's benefits?

Whether you are thinking of joining a pension scheme or are a long-standing **member** of a scheme, you are entitled to know all about the scheme and how it works. This basic information is usually contained in an explanatory booklet.

If you have just joined a **pension scheme**, you must also be given access to a copy of the legal documentation governing the pension scheme, e.g., the trust deed and rules and any document which amends, supplements, or supersedes them.

The following basic scheme information must be made available to you within two months of joining a scheme:

- Who is eligible to join the scheme?
- If membership is obligatory for employees or certain employees.
- The conditions of membership.
- Whether the scheme is a **DB scheme** or a **DC scheme**.
- In the case of a public sector scheme, the title of the legislation setting up the scheme and determining the benefits under the scheme.
- How contributions are calculated.

- Arrangements (if any) for **additional voluntary contributions (AVCs)**.
- Whether the scheme is approved by Revenue.
- The conditions on which benefits are paid and any options open to **members** or beneficiaries taking benefits.
- What benefits are payable under the scheme, to whom, and how they are calculated.
- Which benefits are funded (if any) and which benefits are insured (if any).
- Which benefits (if any) are payable only at some person's discretion.
- A statement about financial, technical and other risks associated with the scheme (if this is not already set out in the scheme's **trustee** annual report).
- The address and contact name for enquiries.
- Who may amend terms (if possible) and significant conditions that would apply.
- Confirmation of the scheme's registration with the Authority and the registration number.
- A statement regarding **pension adjustment orders (PAOs)** in the event of the separation or divorce of a married **member** or a **member** in a civil partnership.
- A statement about integration with the State pension (if applicable).
- If the employer has an obligation to pay the benefits should the scheme have insufficient **assets** to do so, details of that obligation on the employer.
- For **DC schemes**, information on the past performance of the scheme's investments for a minimum of five years or for as long as the scheme has been operating if less than five years.
- For **DC schemes**, the make-up of the costs that are incurred by the **members** and beneficiaries.
- For **DC schemes**, information on the conditions regarding the range of investment options available, the default investment option and the rules for allocating members to an investment option.

- For **DB schemes**, a statement to the effect that there is no guarantee that the scheme will have sufficient funds to pay the benefits promised and that it is therefore possible that the benefits payable under the scheme may have to be reduced.

- For **DB schemes,** where a pension scheme provides for discretionary pension increases, a statement that details of any such increases paid will be set out in the **trustee** annual report.

- For **DB schemes,** the process for protecting accrued entitlements or the benefit reduction process, if any.

Requesting information

All of the information listed in this section, along with information on whether and how environmental, climate, social and corporate governance factors are considered in the investment approach, should also be provided on request to any of the following persons within four weeks of the request:

- **members** and **prospective members**,

- spouses/civil partners of **members** and **prospective members**,

- beneficiaries, and

- trade unions.

Before joining a scheme

Most of the information referred to in this section must be provided to any **prospective member** who is not automatically enrolled in a scheme before they become a **member** of the scheme.

If there is any material change to the basic scheme information, **members** and beneficiaries or their representatives must be informed within four weeks of the change being made. **DB scheme** members and beneficiaries are also entitled to an explanation of the impact on them of any significant changes to technical provisions, where applicable.

What contributions am I required to pay to a pension scheme?

While some non-contributory schemes do not require **members** to pay contributions,

members are often asked to contribute towards the cost of a pension scheme. Contributions tend to be set as a percentage of salary or **pensionable salary**. If you join the scheme, you will be required to pay the level of contribution set out in the scheme rules (or in your individual **member** notification).

What contribution does my employer pay?

In a **DC scheme**, the employer's contribution is set out in the scheme rules (or in individual notifications to **members**). In a **DB scheme,** the employer normally pays contributions at the level needed to fund the benefits promised in accordance with the advice of the scheme actuary.

How do I know if my contributions have been paid to the scheme?

Every month, your employer must provide a statement to its employees and the **trustees** or other persons to whom the employer sends contributions. This statement should specify:

- the amount deducted from your salary and sent to the pension scheme on your behalf; and
- in the case of a **DC scheme**, the amount of employer contributions paid to the pension scheme on your behalf in the preceding month.

This statement to employees is often included in employee payslips.

Can I make additional voluntary contributions (AVCs)?

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 respective 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.

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, as a member or **beneficiary**, you are entitled to view on request.

Will I be provided with information about my pension benefits on a regular basis?

Funded occupational pension schemes

Members of pension schemes (excluding unfunded public sector schemes) who have not yet retired must be provided with a pension benefit statement (PBS) each year. This includes **deferred members** of such schemes, i.e., members who have left service with an entitlement to retirement benefits payable at a future date. The following information must be included:

- Your personal details and your retirement age.
- The name of the pension scheme, its contact address and your identification number in the scheme.
- Your estimated pension benefits at retirement assuming you continue to build up benefits in the scheme until then and a disclaimer that the benefit projections shown may differ from the final value of the benefits you receive.
- Information about the pension benefits you have already built up in the scheme.
- Information on full or partial guarantees under your scheme and where further information can be obtained where applicable.
- Information on pension contributions paid by you and your employer over at least the last 12 months.
- A breakdown of the costs deducted by the scheme over at least the last 12 months.
- Information on the funding level of the scheme.
- Where and how to get additional information.
- An indication of any material change to the information contained in the PBS when compared to the previous PBS.

Public sector schemes

In the case of public sector DB pension schemes established by a public authority,

members currently in service must, at a minimum, receive generic information about their pension scheme annually to include a description of the benefits available under the scheme and how they are calculated, and worked examples of the pension benefits available on a range of salary bands.

Online access

Some schemes provide members with access to information relating to their pension online. You should contact your scheme's **registered administrator** to find out if this facility is available to you.

Do the trustees issue a report on the pension scheme?

The **trustees** issue a report each year on the running of the pension scheme. The information provided includes a commentary by the **trustees** on the main issues affecting the scheme, membership information, financial information and a commentary on the performance of the scheme's investments. Further details on the content of the **trustee** annual report is at Appendix A.

All of the information in your scheme's annual report and accounts is important, but there are a number of key questions you should ask yourself having read them. These could include the following:

- Who are the scheme **trustees** and their advisers?
- Have the contributions been paid by the employer on time, in accordance with the scheme rules and the actuary's recommendation (**DB scheme** only)?
- Have pensions been increased during the year and, if so, by how much (**DB scheme** only)?
- What risks does the pension scheme face?
- How are the scheme's **assets** invested and what investment policies are being followed?
- In a **DB scheme**, how well is the scheme funded? Does the **AFC** and **FSRC** or the latest annual actuarial statement confirm the scheme meets/would meet the **funding standard** provisions set out in the **Pensions Act**?
- Have there been changes in the basic information about the scheme and do they affect you?
- Is the auditor's report unqualified or did the auditor draw attention to any particular issues?
- Are the investments being managed by a reputable investment manager?
- How did the investments perform during the year?

9. Benefits payable on death

Death in service

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 may be limited to a specified maximum number of children.

Where a scheme provides lump sum benefits on death in service, the **trustees** of the scheme must determine to whom these benefits should be paid. On joining your pension scheme or at any time thereafter you may be asked to complete a nomination form to indicate to the **trustees** your wishes regarding how any death benefits should be paid. The **trustees** are not obliged to pay the benefit in accordance with this nomination but will take it into account in making their decision. This form may also be referred to as a 'wishes letter' or 'expression of wishes'.

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:

- a 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 depend on the rules of each **DB scheme**.

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

What information should my dependants/beneficiaries receive if I die?

For both **DB schemes** and **DC schemes**, your **dependants** and beneficiaries are entitled to information on any benefits payable to them on your death, any options they may have regarding those benefits and any conditions attached. This information must be given to your **dependants** and beneficiaries within two months of your death.

10. Benefits on leaving service before retirement

You stop building up benefits in a pension scheme when you leave the employment of the sponsoring employer. If you leave employment having completed 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, i.e., your new employer's pension scheme, a **PRSA**, a **buy-out bond** or an overseas pension plan.

If you leave a **DB scheme** having completed the required service, you will be entitled to a deferred pension commencing at your retirement age. Your deferred pension will be calculated in accordance with the rules of the pension scheme and will be subject to a minimum of the **preserved benefit** provided for under legislation (see below). Your deferred pension will normally be revalued each year before your retirement[1]. The amount of revaluation in any year depends on the annual increase or decrease in the CPI subject to a maximum increase of 4%.

If you leave a **DC scheme** with more than two years **qualifying service**, you are entitled by law to the accumulated value of the contributions made by you, and on your behalf, to the scheme, which will remain invested in the scheme until your retirement, unless you take a **transfer payment**.

If you have less than two years' **qualifying service** when you leave service you may be obliged to take a refund of the value of your own contributions less tax.[2] Some schemes may permit you to leave your contributions in the scheme, even though they are not required to do so by law.

AVCs are treated in the same way as the main scheme benefits on leaving.

Under the **Pensions Act**, your pension scheme **trustees** have an obligation to provide you with a detailed note of the full options available to you on leaving service within two months after you or your employer has notified the **trustees** that you are leaving your employment or about to leave your employment.

[1] This depends on when you left service. By law, all **DB scheme preserved benefits** must be revalued prior to retirement.
[2] 'Outgoing workers', i.e., **members** moving between EU Member States, are entitled to specified additional rights in these circumstances.

How is my preserved benefit calculated under the legislation?

In a **DC scheme**, your **preserved benefit** will be the accumulated value of the investments held in your individual retirement account within the **DC scheme**. If you leave your **preserved benefit** in the scheme, it will continue to be invested on your behalf.

In a **DB scheme**, your **preserved benefit** will be calculated as a proportion of the benefit to which you would have been entitled if you had remained in your job until retirement, using a uniform accrual method. This means that the benefits due to you at **normal retirement age** are assumed to build up evenly over your entire **reckonable service** for the purposes of calculating your minimum entitlement under the legislation.

You may be entitled to further **preserved benefit** if you have made **AVCs** to your pension scheme or if you have transferred pension rights built up in another scheme.

How are preserved benefits revalued?

Preserved benefits from a **DB scheme** must be revalued each year starting from 1996 or, if later, the year in which your employment terminated. Revaluation stops at the end of the year before your benefits become payable. Revaluation helps to maintain the purchasing power of your **preserved benefit** until you reach retirement age. The rate of revaluation in any year depends on the annual increase or decrease in the CPI, subject to a maximum increase of 4%. The revaluation percentage for each year is set down by the Minister for Social Protection. For periods of less than a year, the rate of revaluation for that year is reduced on a pro-rata basis.

How is my DB scheme deferred pension paid?

Your **DB scheme** deferred pension is normally payable at your **normal retirement age** in accordance with the scheme rules that apply at the time your employment is terminated.

The scheme rules will also determine:

- pension benefits paid to your surviving **dependants** if you die after **normal retirement age**, and

- benefit options – e.g., the reduction of pension rights in exchange for a lump sum or the allocation of part of your benefit to provide a **dependant's** pension.

Discretionary scheme rules do not necessarily apply, e.g., if your pension scheme **trustees** award a discretionary benefit increase to employees leaving employment at **normal retirement age**, they do not have to award the same increase to recipients of **preserved benefit**.

Your benefits may be paid before **normal retirement age** if the rules of your scheme allow for early retirement. Even still**,** this may be at the discretion of the employer and/or the **trustees** in certain circumstances. In the event of early retirement, your benefits would normally be reduced to allow for early payment.

What happens if I die before my preserved benefit becomes payable?

If you are entitled to a **preserved benefit** and you die before such benefit becomes payable, a benefit must either be paid to your estate or to your spouse/civil partner/qualified cohabitant and/or other **dependants**.

DB schemes

Depending on the rules of your pension scheme, you may be able to allocate your **preserved benefit** to your surviving spouse/civil partner/qualified cohabitant and/or other **dependants**, if you die before the **preserved benefit** is payable. The benefit is then used to pay a pension to your **dependant(s)**.

If you don't have this option, the **Pensions Act** provides for an amount equal to the **actuarial value** of your **preserved benefit** to be paid to your estate.

DC schemes

The legislation provides for the payment of the accumulated value of contributions paid to the **DC scheme** by you or on your behalf, including **AVCs** or any amounts transferred from another scheme.

Can I take my pension benefits with me when I leave?

If you leave a 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 pension schemes, or

- an overseas pension plan in certain circumstances.

In a **DB scheme**, a **transfer payment** must at least equal the **actuarial value** of the **preserved benefit**, i.e., the pension to which you would have been entitled to if you kept your benefits in the scheme. The **trustees** of the pension scheme may reduce your **transfer payment** on the advice of an actuary if the scheme does not satisfy the **funding standard** under the **Pensions Act**.

In a **DC scheme**, the **transfer payment** is the accumulated value of contributions paid to the **DC scheme** by you or on your behalf, including **AVCs** or any amounts transferred from another scheme. The value must be determined within three months of your transfer application being received by the **trustees**.

When can I apply for a transfer payment?

You can apply for a **transfer payment** within two years of terminating your employment, or later if your pension scheme allows.

If you want to apply for a **transfer payment**, you must do so before your **preserved benefit** becomes payable.

The **trustees** of your pension scheme must make your **transfer payment** within three months of receiving your application.

Once payment has been made, the **trustees** no longer have any obligation to provide benefits relating to your **preserved benefit**.

If transferring to another pension scheme, the **trustees** of your new scheme must generally accept your **transfer payment** and must provide you with benefits equal to the amount transferred. Benefits under your new scheme can be determined on a DB basis or a DC basis, depending on the new scheme rules, but typically benefits transferred will be determined on a DC basis.

Can a transfer payment be made without my consent?

For smaller **preserved benefits** in **occupational pension schemes**, the **trustees** may opt to make a **transfer payment** into one or more **buy-out bonds** or a **PRSA** on your behalf, instead of paying your benefit from the scheme.

If the **transfer payment** is less than €20,000, the **trustees** can do this without your consent[3].

The **trustees** must fulfil the following conditions:

- the **transfer payment** may not be made until at least two years after the termination of **relevant employment**,
- you must receive 30 days' notice of the proposed transfer and you must be given details of the new policy or contract,
- in the case of a **DB scheme**, your **transfer payment** is not subject to a reduction in relation to a funding deficit, and
- you must not have an outstanding request to a **transfer payment** to another scheme or **PRSA**.

If the **transfer payment** exceeds €20,000, the **trustees** may apply in writing to the Authority for permission to make a **transfer payment** without your consent.

What information should I receive if I leave the occupational pension scheme but I don't leave my job?

Depending on your scheme rules, you may have a choice to leave a pension scheme without leaving service of the employer. In this case your benefits will be retained for you in the scheme until you leave service, die or retire, or can be transferred to a new pension arrangement, subject to certain restrictions.

If you leave the pension scheme but stay working for the same employer, you must receive the following:

- a statement that your **reckonable service** (or the time you spent working that counts towards your pension) has ended and the date from which this takes effect,
- information on whether a **buy-out bond** has been bought or funds transferred to another scheme of the same employer, and

[3] However, notwithstanding this power, **trustees** can only transfer the pension benefits of a **deferred member** who is an 'outgoing worker' with their written consent. An 'outgoing worker' is a **member** moving between EU Member States.

- details of a transfer to any such other scheme or **buy-out bond**.

What information should I receive if I leave my job before retirement?

With an entitlement to preserved benefit

You are entitled to the following information when you leave employment before retirement as a **member** of a pension scheme:

- details of your rights to benefits and how to claim them,
- the amount of **preserved benefit** to which you are entitled,
- the amount of any other benefits payable to you under the rules of their scheme,
- the method for calculating your **preserved benefit** and any other benefits,
- the date or dates when your benefit(s) become payable,
- what your options are, if any, to have alternative benefits paid immediately,
- information about increases in your benefits (if applicable) and whether these increases are discretionary; if there is no provision for increases, this must be stated (**DB schemes** only),
- details of your right to transfer funds to another pension scheme and the estimated amount that can be transferred, stating whether a reduction has been made in relation to a funding deficit (**DB schemes** only),
- details of any relevant **PAO** in respect of your benefits,
- the name of the scheme and the **trustees**, and the name and address of those responsible for paying benefits,
- the name and address of the new scheme or life assurance company to which any of your benefits have been transferred by the **trustees** without your consent,
- adequate information to **members** when they move to another EU Member State similar to the information given to **members** who remain in the State,
- whether it is possible to transfer money out of the scheme and, if so, an

estimate of the amount available to transfer and details of the rights relating to such money, and

- a **statement of reasonable projection** (**DC schemes** only) (this requirement will no longer apply once the **trustees** of the scheme have issued the first PBS to non-retired **members**).

This information should be issued automatically to leavers with **preserved benefits** within two months and to others, i.e., **deferred members**, within two months of a request, provided the request is not within one year of a prior request.

Without an entitlement to preserved benefit

If you leave your job without having been a **member** of the pension scheme for two years, you are entitled to the following information within two months:

- details of any refund of your contributions available, how the refund is calculated and an estimate of the refund, and

- the name and address of the person from whom details of any other rights and options can be obtained on request.

This information should be issued to leavers automatically.

Can I forfeit my preserved benefits?

It is not normally possible for your pension scheme to force you to give up your **preserved benefit**, even where the scheme's rules have a general forfeiture clause.

However, if you become bankrupt or attempt to assign or charge your pension benefit, the **trustees** of your scheme may instruct the benefit to be forfeited and be paid instead to another person specified in the scheme rules.

Your employer may not exercise any charge or lien on your **preserved benefit**, even if you owe a debt to your employer arising from a criminal, negligent or fraudulent act or omission.

11. Benefits payable on retirement

When can I receive benefits?

Normal retirement

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

Early retirement

Most pension schemes 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. There may be restrictions on early retirement if a **DB scheme** is in deficit. In such circumstances the **trustees** may decline to allow early retirements until such time as the funding of the scheme improves.

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 and, hence, for a longer period of time.

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. If so, these benefits will be set out in the rules of the scheme and explained in the **member** booklet.

What benefits can I receive from my pension scheme at retirement?

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**.

Members of company pension scheme typically take as much tax-free cash as is permitted at retirement.

If you are a **member** of a **DC scheme,** the balance remaining after taking tax-free cash can be transferred to an **ARF** (from which it can be drawn down flexibly), taken as a taxable lump sum and/or used to purchase an **annuity** (pension). If you opt to purchase an **annuity**, the amount of pension you get will depend on the cost of buying a pension at that time and the type of pension you buy, e.g., whether or not it increases each year and whether or not it would continue to be paid when you die.

If you are in a **DB scheme**, then your pension will typically be calculated based on your service and **pensionable salary** and will usually be reduced by the pension equivalent of any retirement lump sum paid to you. Depending on the rules of any particular scheme, your pension may or may not increase while in payment and may or may not carry an attaching spouse's/civil partner's and/or **dependant's** pension payable in the event of your death.

You should consider taking advice when considering your retirement options. You can get further information regarding the options at retirement from the Revenue Pensions Manual.

What information should I receive when I retire?

For both **DB schemes** and **DC schemes**, you are entitled to know the amount of benefits payable to you, any options you may have regarding those benefits and any conditions attached. For **DC schemes**, this includes details of the option to buy a fixed **annuity** (pension) that won't increase in the future, or a lower initial **annuity** (pension) with future pension increases. For **DB schemes** to which the **funding standard** provisions of the **Pensions Act** apply, a risk statement must be provided.

This information must be given to you on request or sometime prior to benefits becoming payable.

12. Pension tax reliefs

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.

You can get further information on the pension tax rules from the Revenue Pensions Manual.

What about additional voluntary contributions (AVCs)?

Employees in 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 a 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 tax will be calculated on employees' wages or salaries net of pension contributions.

How are employer contributions to a pension scheme treated?

Contributions paid by employers to pension schemes are not treated as a benefit-in-kind and can be paid in addition to the employee contribution limits, but they are subject to maximum benefit limits, both of which are set by Revenue. You can get further information from the Revenue Pensions Manual.

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

All benefits paid from pension schemes are subject to maximum limits set by Revenue or by the relevant Statute. You can get further information from the Revenue Pensions Manual.

Is there a maximum amount of retirement 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). This limit is called the Standard Fund Threshold (SFT). You can get further details about the SFT from the Revenue Pensions Manual.

13. Pension scheme changes and wind-up

Can my pension scheme be amended?

In most cases, the terms of a pension scheme may be amended. Details regarding the power of the employer(s) and **trustees** to amend a scheme are generally specified in the scheme's **trust deed and rules**. Often, an employer has the power to amend a scheme, but the consent of the **trustees** may be required to exercise this power.

A scheme may be amended because an employer wishes to change the benefits provided.

Can my accrued benefits be affected by a change to the scheme?

In most cases, it is possible to amend benefits in respect of future service only and accrued (past service) benefits cannot be reduced.

However, in a **DB scheme**, if the funding of the scheme is not sufficient to satisfy the **funding standard** requirements under legislation, the **trustees** may apply to the Authority for a section 50 order. Under such an order, accrued benefits relating to **members'** past service can be reduced, although there are restrictions on the way in which pensioner benefits can be reduced.

In order for the Authority to grant a section 50 order, there are a number of requirements which must be met, including:

- The **trustees** must have conducted a full review of the scheme's stability and sustainability.

- The **trustees** must have asked the employer for the contributions necessary to sustain the scheme without benefit reductions, and the employer must have declined to pay those contributions.

- The **trustees** must calculate the future required contribution rate, assuming that benefits are reduced as planned, using prudent assumptions, and compare this with the proposed future contribution rate. An explanation must be provided where the proposed contribution rate is less than the required contribution rate.

- The **trustees** must be satisfied that the scheme would satisfy the **funding standard** reserve requirement under legislation immediately after the benefits are reduced or by the end of a **funding proposal** period, if applicable.

- **Trustees** must notify all **members** (active, deferred and pensioners) and any authorised trade unions of the proposed reductions. This notification must include the circumstances of the application, and the proposed reductions, including general illustrations of their effect.

- **Members** must be allowed at least one month to make written observations on the proposed reductions, and the **trustees** must consider any observations made before making an application to the Authority.

- **Trustees** must get legal advice and actuarial advice in relation to certain matters before making an application to the Authority.

Once a final decision is taken in relation to reducing benefits, the **trustees** must inform the impacted **members** of the reduction in benefits without delay and not later than one month after the final decision was made, and three months before that final decision is implemented.

What information am I entitled to receive on any changes made to the terms of my pension scheme?

Members, beneficiaries or their representatives must be notified of any changes to the terms of their scheme within four weeks of such change(s) and must be provided with the contents of any relevant document setting out the change(s).

In the case of **DB schemes**, **members,** beneficiaries or their representatives must also be made aware of the impact of significant changes on the scheme's **liabilities**, where applicable.

Can my pension scheme be terminated (wound up)?

A pension scheme may be wound up if the employer:

- goes into liquidation,

- is bought by another company that decides not to continue the scheme,

- fails to make contributions to the scheme within a set period, or

- notifies the **trustees** that it intends to stop contributing to the scheme.

The Authority has the power to direct **trustees** of **DB schemes** to wind up a scheme. This power can be used by the Authority where a **DB scheme** fails to meet the statutory **funding standard** provisions of the **Pensions Act**.

Once a decision is made to wind up a scheme, the **trustees** must notify the Authority, all **members** and authorised trade unions of their decision as soon as possible but in any event not later than 12 weeks after the decision is made.

What are the trustees' responsibilities on wind-up?

All pension schemes have a set of terms included in the **trust deed and rules** that govern how the scheme is operated. These terms will usually set out how the scheme can be wound up.

Where a decision is made to wind up a scheme, the **Pensions Act** requires **trustees** to distribute the **assets** without undue delay. The **Pensions Act** also sets outs out the order in which **assets** are to be applied to secure the benefit entitlements of the different categories of **member**. The specific priority order which must be followed depends on whether the scheme's employer is solvent or insolvent at the date of the wind-up. Further information regarding the priority order in which pension scheme **assets** should be distributed is available on the Authority's website.

The **Pensions Act** overrides any provisions of a pension scheme's **trust deed and rules** to override the order of payments. The only exception relates to scheme expenses and costs. If the scheme rules allow costs to be paid before pension benefits, this is permitted by the **Pensions Act**.

How do trustees pay benefits on wind-up?

When a scheme is wound up, **trustees** must:

- make a **transfer payment** in respect of each **member's** benefits into a new pension scheme; or
- purchase an approved assurance policy with a life assurance company on behalf of each **member** (a **buy-out bond** for **active members** and **deferred members** or an **annuity** for pensioners); or
- make a **transfer payment** in respect of each **member's** benefits into a **PRSA**, subject to certain conditions.

How do trustees calculate transfer payments?

In a **DB scheme**, **trustees** must follow guidelines issued by the Society of Actuaries in Ireland and specified in regulations made under the **Pensions Act**, when calculating **transfer payments**.

In a **DC scheme**, the **transfer payment** is based on the accumulated value of the **members'** contributions less any expenses allowed in the scheme rules.

What if there is a surplus in the scheme?

If there are **assets** remaining once the **trustees** have paid all benefits and **liabilities** of a scheme, these funds are distributed according to the scheme's **trust deed and rules**.

There are four common scenarios, described below.

- The **trust deed and rules** specify whether benefits to **members** should be increased or whether funds should be repaid to the employer. The **trustees** must obey this rule.

- The **trustees** have discretion to increase benefits to **members** or repay funds to the employer. The decision is usually made in consultation with the employer but, ultimately, it is the **trustees'** responsibility.

- The **trustees** have discretion to increase benefits but only if the employer agrees.

- The employer has discretion to instruct the **trustees** to increase benefits.

What happens if there is a deficit?

When a scheme is wound up, the **trustees** must ensure that all **assets** of the scheme are under their control. They must pursue any outstanding contributions.

If a pension scheme does not have enough funds to pay **members** their benefit entitlements, some benefits must be reduced. The order of priority on wind up determines how **trustees** reduce the benefits. The **trustees** must follow the order when paying benefits until all funds are used.

If the employer is insolvent, the Protection of Employees (Employer's Insolvency) Act, 1984 allows **trustees** to recover the previous 12 months' unpaid contributions from a statutory fund under certain circumstances.

What information are members entitled to on wind-up?

Trustees must notify **members** as soon as possible that their scheme is being wound up and it must be no later than 12 weeks after the **trustees** become aware of the decision to wind up the scheme. **Trustees** must also notify the Authority and any authorised trade union that represents the scheme **members**.

During the wind-up process **trustees** are legally required to provide **members** with:

- information about their rights and options regarding their benefit entitlements,
- an explanation of how a scheme surplus or deficit is handled,
- the information provided to **members** when leaving service (see section 10),
- details of who pays **member** benefits after the scheme is wound up, including an address for enquiries.

What happens if my employer buys or sells a business?

Mergers and acquisitions are a regular feature of business life. One company may acquire another, two companies may merge, or business may be transferred from one company to another.

In many cases, this kind of activity affects the pension schemes operated by the companies involved.

When a merger or acquisition is about to take place, an employer normally notifies employees to explain how their contracts of employment are affected. Since pension benefits are part of an employee's conditions of employment, the employer should also inform employees of how the merger or acquisition affects pension arrangements. Where pension arrangements are affected, there is normally a consultation process between the representatives of the pension scheme **members** and the employer.

In many cases, a merger or acquisition has no effect on the pension scheme. For example, if a new owner acquires all the shares in a company, the change in ownership does not affect the way the company operates, and the pension scheme probably remains unchanged.

However, when employees are transferred between employers, pension arrangements are usually affected. In this case, employees usually transfer to the new employer's pension scheme, if one is available, or to another arrangement depending on the situation that arises.

A change of pension scheme may or may not involve a change in benefits. In many cases, benefits don't change or may even improve, and scheme **members** have nothing to worry about.

However, if benefits decrease, **members** may wish to raise the issue through normal negotiation channels.

On the transfer of pension scheme membership, **members** often have the option of leaving their pension entitlements in their old scheme. You should consider the funding position of both schemes when making this decision.

14. Pensions on separation or divorce

The pension entitlements of you and your spouse/civil partner/qualified cohabitant arising from a pension scheme 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 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:

(a) by making a **PAO**, or

(b) 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.

A **PAO** is an order served on the **trustees** of the 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.

The Civil Partnership and Certain Rights and Obligations of Cohabitants Act, 2010 allows the court to share out pension rights between civil partners on the dissolution of civil partnerships and between qualified cohabitants on the ending of their relationship.

For further information, see the Authority's guide entitled 'A brief guide to the pension provisions of the Family Law Acts and the Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2010' and the checklist entitled 'Pensions on separation and divorce checklist', both available here.

15. Glossary of terms

Active member: A member of a pension scheme who is in 'reckonable service', i.e., currently in the employment to which the scheme relates, and who is building up retirement benefits.

Actuarial funding certificate (AFC): A certificate that trustees of a defined benefit scheme must submit to the Pensions Authority at least every three years. It is prepared and signed by an actuary. The certificate shows whether or not a scheme holds sufficient assets at a particular date to provide for the liabilities of the scheme in respect of accrued pensions, had the scheme wound up (terminated) on the date of the certificate. The liabilities must be calculated in accordance with the funding standard provisions of the Pensions Act.

Actuarial valuation: An assessment by an actuary of the ability of a defined benefit pension scheme to meet its benefit obligations or benefit promises. An actuarial valuation may be carried out for the purposes of:

- determining the future contributions required to pay the benefits promised and to prepare the actuarial valuation report required under section 56 of the Pensions Act (referred to as the 'ongoing' valuation);
- assessing compliance with the statutory funding standard provisions of the Pensions Act and preparing an actuarial funding certificate (referred to as the 'funding standard valuation'); or
- reporting the pension scheme asset (surplus) or liability (deficit) in the company accounts of the scheme sponsor(s) (referred to as the 'accounting valuation').

Actuarial value: In relation to a pension scheme, it means the value placed on pension scheme benefits by the pension scheme actuary which involves estimating the amount and timing of the likely future benefit payments from the scheme (pensions and lump sums). The actuarial value is the present-day value of all future benefits payable to pension scheme members, factoring in assumptions about future salary increases, future inflation, future ill-health and mortality rates of members, as well as the expected investment return on pension scheme assets.

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.

Assets: The property, investments, cash and other items of which the trustees of a pension scheme are the legal owners.

Beneficiary: A person who is entitled to benefits under a pension scheme or who will become entitled on the happening of a specified event (e.g., on the death of a member).

Buy-out bond: Also known as a personal retirement bond, means an insurance policy purchased by the trustees of a pension scheme in the name of a member or beneficiary following termination of service, retirement, or the winding-up of a pension scheme. In such circumstances, a buy-out bond is bought in substitution of the members rights under the pension scheme. Under the Pensions Act, the purchase of such a bond after a member has left service may be at the option of the member or, in certain circumstances, at the option of the trustees.

Deferred member: A pension scheme member who has left service with an entitlement to retirement benefits payable at a future date.

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.

Dependant: A person who depends financially on a scheme member. Children are generally regarded as dependants until they reach the age of 18 or leave full-time education or vocational training, if later. A spouse/civil partner is always regarded as a dependant and a cohabiting partner is generally considered a dependant also. The definition of a dependant for any particular scheme is typically set out in the rules of the scheme.

Funding proposal: If a defined benefit pension scheme does not meet the funding standard requirements set out in the Pensions Act, the pension scheme trustees must submit a funding proposal to the Pensions Authority setting out how the pension scheme's funding level will be restored by a future date. A funding proposal will include details of the proposed rates of contributions from the employer and members, as well as plans for the investment of the pension scheme’s assets.

Funding standard: The Pensions Act sets out a funding standard for funded defined benefit (DB) pension schemes. The funding standard provisions of the Pensions Act set out the minimum assets that a pension scheme must hold and the rules that apply if a pension scheme falls short. The funding standard is designed to provide a level of protection for pension scheme members of the pensions they have already built up or ‘accrued’ in a DB pension scheme.

Funding standard reserve certificate (FSRC): A certificate prepared by the actuary and submitted to the Pensions Authority which indicates whether or not the pension scheme can meet an additional risk reserve known as the ‘funding standard reserve’. A pension scheme needs to hold a risk reserve to allow for adverse future experience relating to the pension scheme’s assets and/or liabilities. This is submitted to the Authority at least once every three years along with the actuarial funding certificate.

Liabilities: The obligations of a pension scheme to pay amounts of money either immediately or in the future. Liabilities whose payment is dependent on unpredictable future events (such as the death of a member) are called ‘contingent liabilities’.

Member: A person who has been admitted to membership of a pension scheme and who remains entitled to benefits under the scheme. This includes active members, deferred pensioners and pensioners.

Normal pensionable age (NPA): Normal pensionable age (NPA) means the earliest age at which a pension scheme member is entitled to receive immediate retirement benefits from a pension scheme in normal circumstances, or age 60, whichever is later. NPA usually coincides with normal retirement age.

Normal retirement age (NRA): Normal retirement age (NRA) is the age at which retirement benefits normally become payable under a pension scheme. NRA will typically be defined in the member’s booklet and the governing documents of a pension scheme.

Occupational benefit scheme: This is formally defined in section 65 of the Pensions Act, in relation to the principle of equal treatment, as a scheme or arrangement for providing occupational benefits to employees and the self-employed. This definition includes certain occupational pension schemes and pension contracts, and also includes permanent health insurance arrangements.

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 dependant(s) of members.

One-member arrangement: A pension scheme which is established for one person only and that one person will always be the only member, and that member has discretion as to how the resources of the pension scheme are invested unless it is subject to a pension adjustment order, in which case it may also include the person(s) referred to in that order.

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.

Pensionable salary: The earnings or salary on which contributions, pensions and lump sum benefits are typically calculated in a pension scheme.

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.

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.

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.

Prospective member: An employee who is or will be eligible to join the pension scheme.

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.

Reckonable service: A term defined in the Pensions Act. In relation to a pension scheme member, reckonable service broadly means service in the relevant employment while a member of the pension scheme excluding service during which the member was not building up retirement benefits.

Registered administrator: Trustees of every funded pension scheme (including trust retirement annuity contracts) must appoint a registered administrator to perform various duties, known as 'core administration functions'. The 'core administration functions' are the preparation of trustee annual reports and annual member statements, the maintenance of sufficient and accurate member records for these purposes, and the submission of annual scheme information to the Pensions Authority.

Relevant employment: Any employment to which a pension scheme applies.

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'.

Small scheme: A pension scheme with less than 100 active and deferred members (not including pensioners). The distinction between 'small' and other sized group schemes was relevant prior to 2023 in terms of trustee obligations. However, from 2023 trustee obligations are the same for both types of group scheme.

Statement of investment policy principles (SIPP): A written statement prepared and reviewed at least every three years by the trustees of a pension scheme that includes:

- the investment objectives of the trustees,
- the investment risk measurement methods,
- the risk management processes to be used,
- the strategic asset allocation, and
- information on how the investment policy takes into account environmental, social and governance factors.

The statement should be written in a clear and comprehensible manner, avoid the use of jargon or technical terms where everyday terms can be used instead and be presented in a way that is easy to read.

Transfer payment (also known as 'transfer value'): A member of a pension scheme who is entitled to a preserved benefit is entitled to take a transfer payment from that pension scheme to:

- another pension scheme of which they are a member or prospective member,
- a buy-out bond, also known as a 'personal retirement bond', with an insurance company, or
- a personal retirement savings account (PRSA) with a PRSA provider,

in lieu of the benefits payable to the member from the pension scheme from which the transfer payment is made.

In the case of a defined benefit pension scheme, the transfer payment is the actuarial value of the deferred pension (preserved benefit). This may be reduced to reflect the funding position of the pension scheme. In the case of a defined contribution pension scheme, the transfer payment is the accumulated value of contributions paid by or in respect of the member.

Trust: To qualify for full tax approval, funded pension schemes must normally be set up as irrevocable trusts. A trust is an arrangement under which a person or a group of people (trustees) hold and look after property on behalf of others. The property is called a trust fund and the people on whose behalf the trust fund is held are called beneficiaries. In the case of a pension scheme set up as a trust, the assets are held by the pension scheme trustees for the benefit of the members and beneficiaries of the pension scheme.

Trust deed and rules: Occupational pension schemes are set up under trust. The trust deed and rules govern how the pension scheme is managed and sets out how the benefits are determined and to whom they are payable. The Pensions Act is overriding however, i.e., it applies even if the trust deed and rules do not contain a corresponding provision or provides something different.

Trust fund: In a company pension scheme the trust fund is the monies and assets held by the trustees, subject to the trusts of the pension scheme.

Trustee: In the context of pension schemes means an individual or a company which alone, in the case of a company, or jointly becomes the legal owner of assets to be administered for the benefit of pension scheme members and beneficiaries in accordance with the provisions of the document creating the trust, the provisions of

trust law generally and the Pensions Act which is overriding. Since the second EU pensions directive was transposed, the Pensions Act requires there to be a minimum of two trustees for each pension scheme, or two directors in the case of a sole corporate trustee.

Unfunded schemes: Pension schemes in the non-commercial sector, such as the civil service, local government, education and health services, are financed on a pay-as-you-go basis. This means that the cost of pensions is met from current exchequer expenditure in much the same way as the salaries and wages of employees of this sector.

Appendix A – Trustee annual report

The **trustees** of all pension schemes providing retirement benefits must appoint a **registered administrator** to prepare an annual report. An exception to this is **one-member arrangements** established before 22 April 2022 which have until 2026 to prepare their first **trustee** annual report.

The information that must be included in the annual report depends on whether the scheme is a **defined benefit (DB) scheme** or a **defined contribution (DC) scheme** (see below).

All **trustee** annual reports must include a copy of the audited accounts of the scheme for the year.

As a **member** of a scheme, you, your spouse/civil partner and/or your representative may request a copy of the latest available annual report. It must be given to you, free of charge, within four weeks of a written request. The **trustees** or **registered administrator** may accept a less formal approach, such as a telephone call.

Prospective members, their spouses/civil partners and/or representatives, and other beneficiaries under the scheme are also entitled to receive a copy free of charge within four weeks of a request being made.

When must annual reports be made available?

The **Pensions Act** lays down a number of reporting deadlines. Failure by **trustees** to meet these deadlines is a breach of the **Pensions Act**.

The annual report and audited accounts (where applicable) must be prepared for each scheme year as soon as is reasonably practical and must be made available within nine months after the end of the scheme year. They must also then be made readily accessible and available to all **members**.

The **trustees** must advise **active members** that the documents are available within four weeks after the nine-month deadline (for example, through an announcement on your staff notice board or in a staff circular).

A copy of the annual report and accounts must be given to any authorised trade union representing the **members** of the scheme within nine months of the end of the scheme year.

What information must be included in the annual report?

The annual report must include:

- the name of each person or firm involved in managing the investments of the scheme during the scheme year and an explanation regarding how the investment manager is paid,
- an investment report, including the latest **statement of investment policy principles**,
- a copy of the audited accounts for the year (see below),
- a copy of the auditor's report,
- a review of financial developments during the scheme year as shown by the audited accounts,
- information about any significant changes to the scheme that occurred after the year end, if noted in the accounts,
- the names of all **trustees** and a statement regarding the right of **members** to select, or approve the selection, of **trustees**,
- a statement as to whether the **trustees** have received appropriate training on their duties and responsibilities as **trustees**, and the cost of such training where this was paid out of the **assets** of the scheme,
- confirmation that the **trustees** and administrators have access to guidelines, guidance notes and codes of practice issued by the Pensions Authority,
- a list of participating employers at the end of the scheme year,
- the names of each actuary, auditor, solicitor, bank, investment manager, custodian, depository and administrator during the scheme year and an indication of any change since the previous scheme year,
- the name of each key function holder during the year (i.e., the internal audit and risk management function holders),
- a contact name and address for enquiries,

- the number of **members**, including **deferred members**, **active members**, pensioners, and **members** covered for death benefits only,

- an explanation of any material change in membership numbers from the previous year,

- information about any changes to the basic scheme information since the previous year and confirmation that **members** have been advised of any material changes to such information,

- details of any benefits being paid for which the scheme has no liability on wind-up and whether persons in receipt have been notified,

- confirmation that the scheme has been registered with the Authority and the registration number,

- whether the scheme is a **DB scheme** or **DC scheme**,

- a statement concerning the financial, technical and other risks associated with the scheme and the nature and distribution of those risks (unless disclosed in the basic information about the scheme),

- a statement that the **trustees** have appropriate procedures for the payment and receipt of contributions,

- for **DC schemes**, a valuation report, and,

- for **DB schemes**,

    - a copy of the latest **actuarial funding certificate (AFC)** and **funding standard reserve certificate (FSRC)** – and a statement explaining them and any **funding proposal** submitted to the Authority,

    - an inter-valuation statement by the scheme actuary if the annual report falls after the date of the latest **AFC** and **FSRC**,

    - in the event of a negative **AFC** and/or **FSRC**, a statement that the scheme will satisfy the **funding standard/funding standard** reserve at the effective date of the next **AFC/FSRC,** or a later date permitted,

    - details of any **funding proposal** measures relating to the year,

- details of any increases to pensions in payment and/or deferred pensions and a statement explaining which increases, if any, were discretionary,
- if a scheme holds sovereign bonds and/or sovereign annuities, a statement regarding the purchase of sovereign annuities, and
- a statement that there is no guarantee that the scheme will have sufficient funds to pay the benefits promised and that it is possible that the benefits payable under the scheme may have to be reduced.

The accounts must contain:

- the financial transactions during the scheme year,
- a statement of **assets** and **liabilities**,
- the previous year's figures, if any,
- disclosure of significant investment holdings,
- an analysis of the scheme's investments,
- a statement declaring if the accounts were prepared in accordance with the Statement of Recommended Practice,
- an auditor's report and statement whether the accounts contain all the required information, show a true and fair view of the scheme's **assets**, **liabilities** and financial transactions, contributions have been received by the **trustees** within 30 days of the end of the scheme year and in accordance with the rules of the scheme and, in a **DB scheme**, with the actuary's recommendation, and
- a risk statement declaring that the benefits are not guaranteed.

Unfunded schemes

Certain public service schemes are unfunded, which means that no funds are being set aside to pay for future pension benefits. As a result, audited accounts and investment reports do not need to be prepared.

Other exceptions

Certain small frozen schemes, certain **small schemes** in wind-up and death benefit only schemes do not have to prepare annual reports.

Appendix B – Complaints

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**, an **annuity** or an **approved retirement fund**.

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

Should you have a complaint about your pension scheme you can contact your employer, the administrator of the plan, the **trustees** of the plan, the 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 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 **trustee** 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 **trustee** annual report which you can request from your employer. The **trustees** will usually have a procedure in place to deal with complaints.

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

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 pension schemes, pension providers and financial service providers. The Financial Services and Pensions Ombudsman is completely independent and acts as an impartial adjudicator.

The functions of the Financial Services and Pensions Ombudsman include the investigation and adjudication of complaints arising from the conduct of a pension provider involving alleged financial loss by an act of maladministration or any dispute of fact or law.