

# Comparing occupational pensions with a PRSA

By comparing some key differences between a traditional occupational pension scheme and a PRSA product, we can see why PRSAs may offer your clients a more suitable means to retirement saving.

There are many considerations to make when advising clients on the most suitable product for them. This table highlights how, in comparison to occupational pensions the PRSA continues to offer a flexible and client-centric product, with the added benefit now of meeting the needs of the traditional target market of the executive pension – company directors and small employers.

|                                                   | Occupational Pension Scheme                                                                                                                                                                                                                                                                                                                                | PRSA                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Policy owner</b>                               | Set up under trust, policy owner is the trustee                                                                                                                                                                                                                                                                                                            | Client is the policy owner                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Revenue approval</b>                           | Employer participating in the scheme requires Revenue approval and the scheme requires Pensions Authority registration and monitoring                                                                                                                                                                                                                      | Product pre-approved by Revenue and Pensions Authority                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Funding limits</b>                             | Yes, restricted to salary and service formula in Revenue pensions manual and Revenue maximum. These limits are inclusive of employee contributions.                                                                                                                                                                                                        | <b>From 1 January 2025</b> - employer contributions limited to 100% of employees total remuneration in relevant year                                                                                                                                                                                                                                                                                                                                     |
| <b>Tax relief on employer contributions</b>       | Yes, tax relief on ordinary annual contributions allowed in year contribution is paid<br>Tax relief on special contributions may be carried forward up to five years                                                                                                                                                                                       | All contributions paid within employer limits will receive immediate tax relief in the year it is paid                                                                                                                                                                                                                                                                                                                                                   |
| <b>Death in service</b>                           | Employee dies in service with the employer: <ul style="list-style-type: none"> <li>• lump sum 4x salary (retained lump sums offset)</li> <li>• the value of any employee and AVC contributions payable in lump sum format</li> <li>• a spouse's/dependant's pension or ARF as appropriate</li> </ul>                                                       | Full PRSA value payable as lump sum to estate. No requirement to transfer any part of the PRSA value to an ARF and/or annuity<br>All death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner                                                                                                                                                                                    |
| <b>Retirement age</b>                             | Normal retirement 60-70<br>An employee who leaves service can take benefits from age 50                                                                                                                                                                                                                                                                    | Benefits can be taken between age 60 and 75<br>A PRSA client who retires from all employments (both PAYE employment and self-employment) can take benefits from age 50                                                                                                                                                                                                                                                                                   |
| <b>Option to defer taking retirement benefits</b> | Benefits must be taken at NRA or later termination of employment                                                                                                                                                                                                                                                                                           | Yes, up to 75, whether still in employment or not                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Option to phase in retirement benefits</b>     | No, all scheme benefits related to the same employment must be retired at the same time and in the same manner                                                                                                                                                                                                                                             | Yes, through using multiple PRSA policies. Individual PRSAs can be matured on a phased basis up to 75                                                                                                                                                                                                                                                                                                                                                    |
| <b>Retirement benefits</b>                        | <b>Lump sum option:</b><br>Based on member's salary and service<br>Balance of fund options: annuity, AVCs can be invested in an ARF or taken as taxable cash<br><br>or<br><b>Lump sum option:</b><br>25% of fund value<br>Balance of fund options: annuity, ARF, taxable lump sum<br>Payments will be subject to income tax, USC and PRSI where applicable | <b>Lump sum option:</b><br>25% of the value of the PRSA<br>Balance of fund options: <ul style="list-style-type: none"> <li>• Purchase an annuity</li> <li>• Leave in the PRSA (known as a Vested PRSA)</li> <li>• Invest in an ARF</li> <li>• Take as taxable lump sum</li> </ul> Payments will be subject to income tax, USC and PRSI where applicable<br>PRSAs must be retired/vested before age 75 or chargeable excess tax of 40% will apply to fund |
| <b>Impact at retirement</b>                       | New plan required for drawdown after lump sum is paid                                                                                                                                                                                                                                                                                                      | Same plan can continue post age 75, for lifetime i.e. vested PRSA if not transferring to ARF/Annuity                                                                                                                                                                                                                                                                                                                                                     |
| <b>IORP II</b>                                    | Occupational Pension Schemes, including those in a retail master trust subject to IORP II requirements – professional trusteeship, investment regulations etc                                                                                                                                                                                              | PRSA is not a trust based arrangement<br>IORP II requirements do not apply to a PRSA                                                                                                                                                                                                                                                                                                                                                                     |