

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
Policy owner	Set up under trust, policy owner is the trustee	Client is the policy owner
Revenue approval	Employer participating in the scheme requires Revenue approval	Product pre-approved by Revenue and Pensions Authority
Funding limits	Yes, restricted to salary and service formula in Revenue pensions manual and Revenue maximum	Unlimited, however the Standard Fund Threshold of €2 million will restrict funding
Tax relief on employer contributions	Yes, tax relief on ordinary annual contributions allowed in year contribution is paid Tax relief on special contributions may be carried forward up to five years	All contributions paid will receive immediate tax relief in the year it is paid
Death in service	Employee dies in service with the employer: <ul style="list-style-type: none"> • lump sum 4x salary (retained lump sums offset) • the value of any employee and AVC contributions payable in lump sum format • a spouse's/dependant's pension or ARF as appropriate 	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 All death benefits are subject to inheritance tax, except where inherited by the deceased's legal spouse or registered civil partner
Retirement age	Normal retirement 60-70 An employee who leaves service can take benefits from age 50	Benefits can be taken between age 60 and 75 A PRSA client who retires from all employments (both PAYE employment and self-employment) can take benefits from age 50
Option to defer taking retirement benefits	Benefits must be taken at NRA or later termination of employment	Yes, up to 75, whether still in employment or not
Option to phase in retirement benefits	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
Retirement benefits	Lump sum option: Based on member's salary and service Balance of fund options: annuity, AVCs can be invested in an ARF or taken as taxable cash or Lump sum option: 25% of fund value Balance of fund options: annuity, ARF, taxable lump sum Payments will be subject to income tax, USC and PRSI where applicable	Lump sum option: 25% of the value of the PRSA Balance of fund options: <ul style="list-style-type: none"> • Purchase an annuity • Leave in the PRSA (known as a Vested PRSA) • Invest in an ARF • Take as taxable lump sum Payments will be subject to income tax, USC and PRSI where applicable PRSAs must be retired/vested before age 75 or chargeable excess tax of 40% will apply to fund
Impact at retirement	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
IORP II	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 IORP II requirements do not apply to a PRSA