NEW IRELAND ASSURANCE

Comparing a Group PRSA to a Group DC Retirement Plan

A company pension arrangement can be set up either on the basis of a Group Personal Retirement Savings Account (PRSA) arrangement or as a Group Defined Contribution (DC) Retirement Plan. We have compared the two under a number of key headings. The following is a short summary with a more comprehensive comparison given under each heading in the pages that follow.

Establishing the company pension arrangement
If it is important to the employer to have control over the company pension arrangement then this is best achieved by setting up a Group Retirement Plan.

Contributions
More contributions can be paid to a Group Retirement Plan in a tax efficient way for the employee as the contributions the employer makes are not restricted to a percentage of earnings (based on the age of the employee) for tax relief purposes. If however the total contributions (employer and employee) are less than the maximum amount allowed for tax relief then there is no difference between the Group PRSA arrangement and the Group Retirement Plan.

The Group Retirement Plan can be set up in a way that allows the employer to receive a refund of their contributions (subject to conditions). This is possible where an employee leaves employment and has not been a member of the plan for 2 years. This can be seen as a good benefit to employers in terms of employee retention as it may encourage employees to remain in employment for a period of at least 2 years or longer.

Investment
A Group Retirement Plan offers a wider range of investment funds than a Standard Group PRSA arrangement which can only invest in pooled funds. This may be an advantage to some employers who wish to tailor a particular suite of investment options for their employees. The employer is completely removed from the investment decision making process if a Group PRSA arrangement is offered to employees.

Benefits available on retirement
For many employees the retirement lump sum based on final salary and service with the employer (this option is only available with a Group Retirement Plan) will produce a higher amount than 25% of the retirement fund.

Benefits available on death
The Group Retirement Plan allows the employer to package the pension and death benefits under the one plan meaning employees can easily see the total benefits provided to them. This is not the case for a Group PRSA arrangement as a separate plan has to be set up to provide for additional life cover benefits. On death, the total value of the PRSA fund is paid out as a lump sum where Revenue restrictions can apply to the lump sum payable under a Group Retirement Plan.

Trustee requirements
The Group PRSA arrangement is a simpler arrangement to establish as it does not have to be set up under trust and trustees do not have to be appointed. New Ireland can however provide a corporate trustee company to act as trustee under the Group Retirement Plan if required by the employer (charges apply).

Compliance responsibilities
The compliance responsibilities the employer must meet are very similar between a Group PRSA arrangement and a Group Retirement Plan. Under the Group Retirement Plan the trustees have separate compliance responsibilities and must undergo trustee training every two years. New Ireland does however support the trustees in meeting their compliance responsibilities.

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<table>
<tr><th></th><th>Group PRSA arrangement</th><th>Group Retirement Plan</th></tr>
<tr><td rowspan="2">Establishing the company pension arrangement</td><td>An individual contract owned by the employee. New Ireland corresponds direct with the employee. The employer facilitates the arrangement by collecting contributions from the salaries of employees and remitting them to New Ireland for investment.</td><td>The Group Retirement Plan is established under trust. New Ireland's relationship is with the trustee/employer and as a result all correspondence is through the trustee/employer. This gives the employer control over the plan.</td></tr>
<tr><td colspan="2">Summary
If it is important to the employer to have control over the company pension arrangement then this is best achieved by setting up a Group Retirement Plan.</td></tr>
<tr><td rowspan="2">Contributions</td><td>The employer is not required to contribute to a PRSA arrangement.

Tax relief on the combined employer and employee contributions are limited to a percentage of salary in line with the table below:

<table>
<tr><th>Age</th><th>Maximum pension tax deductable limits (% of earnings that you can contribute to your pension and obtain tax relief)</th></tr>
<tr><td>Under 30</td><td>15%</td></tr>
<tr><td>30-39</td><td>20%</td></tr>
<tr><td>40-49</td><td>25%</td></tr>
<tr><td>50-54</td><td>30%</td></tr>
<tr><td>55-59</td><td>35%</td></tr>
<tr><td>60 and over</td><td>40%</td></tr>
</table>
An earnings cap of €115,000 applies.

The employer can usually claim corporation tax relief on the contributions they make to an employee's PRSA.

On leaving employment, the employer is not entitled to a refund of the contributions they made to the employee's PRSA.</td><td>The employer must make a "meaningful" contribution to the Group Retirement Plan. Where the employer bears the cost of establishing the plan, pays for the ongoing cost of operating it, and in addition meets the cost of providing death in service benefits under the plan, then that would be considered meaningful. Alternatively, the employer could make an ongoing contribution of 10% of the total annual contributions to the plan, excluding any AVCs.

The contributions the employer makes do not count towards the limits for tax relief purposes unlike the position if the contributions are made to a PRSA.

Any personal contributions made by the employee are subject to the same limits as set out in the table across.

A pension of up to two-thirds of an employee's final salary can be funded for*, meaning that the employer can make substantial contributions to the plan in a very tax efficient way for the employee. The employer may look to do this for senior or key employees.

The employer can usually claim corporation tax relief on the contributions they make to the plan.

The plan can be set up in a way where the employer will receive a refund of the contributions they made to the plan. This is possible where an employee leaves employment and has not been a member of the plan for 2 years (subject to the conditions of the Pensions Act 1990).

* Subject to Revenue terms and conditions.</td></tr>
<tr><td colspan="2">Summary
More contributions can be paid to a Group Retirement Plan in a tax efficient way for the employee as the contributions the employer makes are not restricted to a percentage of earnings (based on the age of the employee) for tax relief purposes. If however the total contributions (employer and employee) are less than the maximum amount allowed for tax relief then there is no difference between the Group PRSA arrangement and the Group Retirement Plan.
The Group Retirement Plan can be set up in a way that allows the employer to receive a refund of their contributions (subject to conditions) where the employee has not been a member of the plan for a period of 2 years on leaving employment. This can be seen as a good benefit to employers in terms of employee retention as it may encourage employees to remain in employment for a period of at least 2 years or longer.</td></tr>
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<tr><th></th><th>Group PRSA arrangement</th><th>Group Retirement Plan</th></tr>
<tr><td rowspan="2">Investment</td><td>With a Standard Group PRSA arrangement the members choose from a suite of 12 funds, provided by the leading fund managers in Ireland. We recognise that everyone is different which is why our PRSA investment funds include options to suit individuals at different stages in their lives, with different needs and retirement goals.

The default investment strategy is our IRIS fund. Our IRIS fund is Ireland's longest running lifestyling fund, designed to meet the needs of those employees who want the security of a retirement fund that will provide a retirement lump sum and a regular, secure income in retirement.</td><td>Under our Group Retirement Plan, New Ireland can provide an investment choice solution, which offers:
• Trustee indemnity from fund selection responsibility (provided certain conditions are met)
• Flexibility: Members can pick from a suite of pre-selected pension investment funds
• Choice: We offer a very wide range of funds from which you can tailor an investment choice to provide to your employees if this is what you require
• Lifestyling: Our lifestyling funds (IRIS and Passive IRIS) are designed to meet the needs of those employees who want the security of a retirement fund that will provide a retirement lump sum and a regular, secure income in retirement.</td></tr>
<tr><td colspan="2">Summary
A Group Retirement Plan offers a wider range of investment funds than a Standard Group PRSA arrangement which can only invest in pooled funds. This may be an advantage to some employers who wish to tailor a particular suite of investment options for their employees. The employer is completely removed from the investment decision making process if a Group PRSA arrangement is offered to employees.</td></tr>
<tr><td rowspan="2">Benefits available on retirement</td><td>A retirement lump sum of up to 25% of the fund.

The balance of the fund can be used to buy a pension for life or invested in an Approved Retirement Fund/taken as a taxed lump sum (subject to conditions) or retained in the PRSA until age 75 at the latest.</td><td>An employee can choose from one of two options:

1. Take a retirement lump sum of up to 1.5 times salary where the employee has 20 years service and is retiring at normal retirement age. A reduced retirement lump sum is payable for employees with shorter service and/or where they retire prior to normal retirement age.
The balance of the retirement fund must be used to buy a pension. If the employee had made any Additional Voluntary Contributions (AVCs) then the fund in respect of their AVCs can be invested in an Approved Retirement Fund or taken as a taxed lump sum (subject to conditions).

2. Take a retirement lump sum of up to 25% of the fund.
The balance of the fund can be invested in an Approved Retirement Fund or taken as a taxed lump sum (subject to conditions).</td></tr>
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For many employees the retirement lump sum based on final salary and service with the employer (this option is only available with a Group Retirement Plan) will produce a higher amount than 25% of the retirement fund.</td></tr>
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	Group PRSA arrangement	Group Retirement Plan
Benefits available on death	The fund built up under the PRSA will be paid to the employee's estate if he/she dies before retirement. In addition, a separate Group Life Plan can be set up under trust to provide life cover benefits to employees. The maximum death benefit that can be paid as a lump sum under the Group Life Plan is four times an employee's salary at the date of death. Any amount in excess of this will be used to provide a spouse's/civil partner's/dependants' pension(s).	The amount used to provide the death benefits will be the fund value at the date of death together with any additional life cover sum assured that was provided for. The employer can build in additional life cover benefits for employees as part of the Group Retirement Plan. The maximum death benefit that can be paid as a lump sum is four times an employee's salary at the date of death, together with the accumulated value of any personal contributions to the plan (including any AVCs). Any amount in excess of this will be used to provide a spouse's/civil partner's/dependants' pension(s).
	Summary The Group Retirement Plan allows the employer to package the pension and death benefits under the one plan meaning employees can easily see the total benefits provided to them. This is not the case for a Group PRSA arrangement as a separate plan has to be set up to provide for additional life cover benefits. On death, the total value of the PRSA fund is paid out as a lump sum where Revenue restrictions apply to the lump sum payable under a Group Retirement Plan. Similar Revenue restrictions apply to the lump sum payable under a separate Group Life Plan if set up in conjunction with the Group PRSA arrangement.	
Trustee requirements	No requirement for the employer to appoint trustees. Employees own and have control over their own individual PRSA.	Trustees are required to be appointed. New Ireland can provide a solution by offering a corporate trusteeship facility through General Investment Trust Limited (GIT) (charges apply).
	Summary The Group PRSA arrangement is a simpler arrangement to establish as it does not have to be set up under trust and trustees do not have to be appointed. New Ireland can however provide a corporate trustee company to act as trustee under the Group Retirement Plan if required by the employer.	
Compliance responsibilities	New Ireland, as PRSA provider, is responsible for preparing and issuing information on the PRSA directly to the employee at the outset and every 6 months thereafter. The employer must: • Enter into a contract with New Ireland to provide a PRSA facility for employees • Allow New Ireland reasonable access to employees so that the PRSA contracts can be set up • Operate a payroll deduction facility for the collection of employee contributions • Remit the pension contributions to New Ireland within 21 days of the end of the month in which the contributions were deducted from the employees salaries, and of the due date for any employer contributions	The responsibility for ensuring the employees are provided with information on the Group Retirement Plan at the outset and during the time they are in employment rests with the trustees of the plan. New Ireland will help the trustees to meet their responsibilities in this regard by preparing the information and sending it to the trustees for the trustees to distribute to the employees who are members of the plan. The employer must: • Operate a payroll deduction facility for the collection of employee contributions • Remit the pension contributions to New Ireland within 21 days of the end of the month in which the contributions were deducted from the employees salaries, and of the due date for the employer contributions
	Summary The ongoing compliance responsibilities the employer must meet are very similar between a Group PRSA arrangement and a Group Retirement Plan. Under the Group Retirement Plan the trustees have separate compliance responsibilities and must undergo trustee training every two years. New Ireland do however support the trustees in meeting their compliance responsibilities.	

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