

# What happens to my pension if I leave?

How to preserve or transfer a pension when you leave your job



An Bord Pinsean  
The Pensions Board

[www.pensionsboard.ie](http://www.pensionsboard.ie)



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## Contents

<b>1. Introduction</b>	<b>4</b>
Protections for early leavers	4
Protection for contributions before 1991	5
About this booklet	5
<b>2. What is preserved pension benefit?</b>	<b>7</b>
<b>3. Do you qualify for preserved benefit?</b>	<b>8</b>
What are the qualifying conditions?	8
What is termination of employment?	9
<b>4. How is your preserved benefit calculated?</b>	<b>10</b>
Types of pension scheme	10
Defined benefit scheme	10
Defined contribution scheme	10
Calculating your preserved benefit in a defined benefit scheme	10
Basic preserved benefit	11
Additional preserved benefit	11
Benefit relating to additional voluntary contributions (AVCs)	11
Taking account of changes in benefits	12
The minimum value of preserved benefit	13
Calculating your preserved benefit in a defined contribution scheme	13
Calculating your preserved benefit in respect of AVCs	14
What if you have more than one scheme relating to the same employment?	14

<b>5. Revaluation of preserved benefit</b>	<b>15</b>
<b>6. Payment of your preserved benefit</b>	<b>16</b>
<b>7. What happens if you die before you are paid your preserved benefit?</b>	<b>17</b>
<b>8. Transferring your pension benefit</b>	<b>18</b>
Calculating your transfer payment	18
Defined benefit scheme	19
Defined contribution scheme	19
Applying for a transfer payment	19
How does your new scheme handle your transfer payment?	20
Transfer payments without your consent	20
Transferring payments when your pension scheme is wound up	21
<b>9. Claiming a refund of your pension contributions</b>	<b>22</b>
<b>10. Your right to pension information</b>	<b>23</b>
Information entitlements for members of a defined benefit scheme	23
Information entitlements for members of a defined contribution scheme	23
Information on refunds and transfer payments	24
Scheme and payment details	24
<b>11. Claiming your preserved benefit</b>	<b>25</b>
<b>12. How The Pensions Board can help you</b>	<b>26</b>
Determinations	26

<b>13. The Pensions Board</b>	<b>28</b>
What is it?	28
What does it do?	28
How can it help you?	28
Pensions Board booklets	29
<b>14. Useful addresses</b>	<b>32</b>
<b>Glossary of terms</b>	<b>34</b>
<b>Appendix</b>	<b>37</b>
Calculating your basic preserved benefit in a defined benefit scheme	37
Calculating your additional preserved benefit in a defined benefit scheme	39
Calculating preserved benefit based on company service	40

## 1. Introduction

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

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

If you leave your job with less than two years' qualifying service, you may have to take a refund of the value of your own contributions less tax at the basic rate. Some plans may permit you to leave your contributions in the plan, even though they are not required to do so by law.

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.

### **Protections for early leavers**

Suppose you have been paying pension contributions with your current employer for 20 years. Those contributions have already earned you a certain pension benefit.

The Pensions Act ensures that this benefit should be protected if you decide to change jobs.

Subject to certain conditions, the Pensions Act 1990, as amended (“the Act”), ensures that, when you change jobs, all pension scheme benefits earned after 1 January 1991 can be:

- kept in the scheme you are leaving – this is known as preserved benefit; or
- transferred to a pension scheme associated with your new employer; or
- transferred to a policy or contract with an insurance company.

### **Protection for contributions before 1991**

The Pensions (Amendment) Act 2002 extends this protection to pension scheme benefits earned before 1 January 1991. It also reduces the length of scheme membership you need in order to preserve your pension benefit.

### **About this booklet**

The rules governing how you can preserve or transfer your pension benefits are complex but, for many employees, they are the most important in the Pensions Act.

This booklet is a guide to these rules. You should read it if you are thinking of changing jobs or have already done so.

This booklet is designed to help you understand:

- your rights and options in relation to the pension benefits you have built up
- your right to information on your pension benefits
- whether you need to make further pension contributions to ensure there will be enough income for you in retirement and for your dependants after your death.

**What does *that* mean?**

Don't be confused by pensions jargon.

See the Glossary section for definitions of terms in *italics*.

Note: This booklet is based on the Pensions Act legislation, tax rules and limits at the time of writing. You should be aware that these may change over time. You can get up-to-date information from The Pensions Board and its website.

## 2. What is preserved pension benefit?

Your company pension scheme is set up to pay members a *long service benefit* in retirement. The rules of your scheme will specify what the age of retirement is. This is known as *normal pensionable age (NPA)*.

The rules of your scheme should also tell you how much *long service benefit* you can expect if you remain in employment until the *NPA*.

If you leave your job before the *NPA*, the benefit you have earned is calculated as a proportion of the sum to which you would have been entitled if you had remained in that job until the *NPA*. If you satisfy certain conditions (outlined in the next section), the benefit you have earned becomes preserved when you leave employment.

Note: To preserve pension benefits, you must satisfy certain conditions (see section 3).

### **Did you know?**

*Long service benefit* can take the form of regular payments (pensions), lump sum payments or both.

### 3. Do you qualify for preserved benefit?

The Pensions Act requires all company pension schemes, except certain public sector schemes, to allow members to preserve their benefits if they leave the scheme.

Note: Public sector schemes don't have to allow this as long as the benefits they provide for early leavers are no less favourable than the requirements set out in the Pensions Act.

As a member of a company pension scheme, you are entitled to preserved benefit if:

- your service in *relevant employment* terminates before *NPA*; and
- you satisfy the qualifying conditions outlined below.

#### What are the qualifying conditions?

To qualify for preserved benefit, you must have built up enough qualifying service through your employment career.

To calculate your qualifying service, add up all your *reckonable service* under your current pension scheme and any *reckonable service* under previous pension schemes to which you have contributed and transferred. *Reckonable service* is basically the time you have spent in *relevant employment* while in a pension scheme that is recognised by The Pensions Board.

To be eligible for preserved benefit when you leave your job, you must have:

- completed at least two years' qualifying service since 1 January 1991 and finished your employment after 1 June 2002 or
- completed at least five years' qualifying service (two since 1991) and finished your employment before 1 June 2002.

### What is termination of employment?

To qualify for preserved benefit, you must have ended your employment.

Your employment is not terminated if your absence from work is temporary or if, within one month\*, your employment is resumed with:

- an employer who continues the same pension scheme
- an employer from the same group of companies
- new owners of your previous company.

\* Note: The trustees of your company pension scheme may decide on an alternative period to one month.

#### Did you know?

You are also entitled to preserved benefit if your employment does not terminate but your scheme ceases to relate to that employment (e.g., the scheme is wound up and not replaced or the member has opted to terminate his/her membership of the scheme).

#### 4. How is your preserved benefit calculated?

Preserved benefit is calculated in different ways depending on the type of company pension scheme of which you are a member.

##### Types of pension scheme

There are two main types of pension scheme.

##### a. Defined benefit scheme

In a *defined benefit scheme*, the amount of pension benefit you receive in retirement is specified in the scheme rules. For example, at the *NPA* you might be entitled to a pension equal to 1/60th of your final salary for each year of service.

##### b. Defined contribution scheme

In a *defined contribution scheme*, the pension and other benefits are based on the amount of contributions made during the member's service and the returns those contributions have earned from investment. It is the contributions into the scheme that are defined (for example, a percentage of annual pay). The size of your pension benefit in retirement will depend on the investment return that your contributions have earned.

##### Calculating your preserved benefit in a *defined benefit scheme*

In a *defined benefit scheme*, your preserved benefit is calculated based on the uniform accrual method. This means that the benefits due to you at *NPA* are assumed to build up evenly over your entire *reckonable service*.

Your preserved benefit may consist of a number of separate parts.

**a. Basic preserved benefit**

You are entitled to basic preserved benefit where you have been a member of your company pension plan after 1 January 1991.

**b. Additional preserved benefit**

If you began your employment prior to 1 January 1991 and terminated it after 1 June 2002, you may be entitled to additional preserved benefit.

In some cases, when you terminate your employment, the rules of your pension scheme may give you additional preserved benefit based on company service rather than your service as a pension scheme member.

**c. Benefit relating to additional voluntary contributions (AVCs)**

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

See Appendix 1 to find out how you can calculate your preserved benefit in a *defined benefit scheme*.

**Additional note**

To maintain your pension's real value, your scheme must revalue your preserved benefit annually until you reach *NPA* or take early retirement. This applies to *defined benefit schemes* only.

### Taking account of changes in benefits

Pension schemes are typically changed from time to time. If your scheme has improved its *long service benefit* since 1 January 1991, a proportion of this improvement must be taken into account when your basic preserved benefit is calculated.

In the same way, if your scheme has reduced its benefits, a reduction in your basic preserved benefit is made.

Your basic preserved benefit is also adjusted if there are changes in:

- *NPA* – e.g., a change from age 60 to 65 or vice versa
- ancillary benefits – e.g., the provision of spouses' pensions on death after retirement
- pension provisions.

Typical changes in pension provisions include:

- additional benefits in return for service – e.g., your employer might allocate you notional years of service in recognition of special qualifications you have received
- payments of modified benefits in respect of periods of part-time employment
- temporary supplements – e.g., your employer might give you a supplementary payment between *NPA* and the age at which the State social welfare pension becomes payable
- periods of variable earnings – your employer might provide you with extra benefits relating to commissions or shift pay.

### The minimum value of preserved benefit

The Pensions Act 2002 sets out rules to define the minimum preserved benefit you must be paid.

1. Your total preserved benefit must at least equal the total contributions you have paid into the pension scheme, together with any interest that is payable under the scheme rules.
2. If you have a *defined benefit scheme*, you must receive a benefit on retirement of at least 120% of your ordinary contributions to the scheme (plus interest if applicable). However, if you terminate your employment before *NPA*, the minimum return is reduced each year on a sliding basis. For example, if you terminate employment five years before *NPA*, the minimum return is 100%.

### Calculating your preserved benefit in a defined contribution scheme

If you are a member of a *defined contribution scheme*, your preserved benefit must also be calculated on a defined basis. This means that the value of your preserved benefit must equal the accumulated value of your contributions.

#### Did you know?

The accumulated value means the current value of the investments secured by these contributions less any expenses authorised by the scheme rules.

Note: If you terminated employment on or before 1 June 2002, only contributions made after 1 January 1991 are included.

**Calculating your preserved benefit in respect of AVCs**

You are entitled to a preserved benefit in respect of all AVCs you have made to a pension scheme. These additional benefits are calculated separately. These benefits are calculated in the same way as your main *long service benefit*, as described above.

**What if you have more than one scheme relating to the same employment?**

The Pensions Act ensures that you do not lose out in this situation.

If you have had periods of *reckonable service* in more than one scheme relating to the same employment, you are entitled to an aggregate preserved benefit that is at least as much as the combined preserved benefit to which you would be entitled if your periods of *reckonable service* had related to different employments.

Note: The same general principle applies if your pension scheme switches from a defined benefit to a defined contribution basis or vice versa.

## 5. Revaluation of preserved benefit

Your pension scheme trustees normally revalue your preserved benefit each year. This helps to maintain the purchasing power of your preserved benefit until you reach retirement.

Your preserved benefit from a *defined benefit scheme* is normally revalued at the end of every year, starting from 1996 or, if later, the year in which your employment terminated.

Revaluation stops the year before your benefits become payable.

The rate of revaluation for a full year will be either 4% or the increase in the Consumer Price Index for that year, whichever is lower.

Where the period is less than a year, the rate of revaluation is reduced on a pro rata basis.

The revaluation rates for 1996 to 2008 are as follows:

Revaluation year	Revaluation percentage
1996	1.6%
1997	1.5%
1998	2.4%
1999	1.6%
2000	4.0%
2001	4.0%
2002	4.0%
2003	3.5%
2004	2.2%
2005	2.5%
2006	4.0%
2007	4.0%
2008	4.0%
2009	0%

## 6. Payment of your preserved benefit

Your preserved benefit is normally payable at the *NPA*.

Payment is made in accordance with the scheme rules that apply at the time your employment is terminated.

These rules also apply to:

- pension benefits paid to your surviving dependants if you die after the *NPA*
- 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 survivor's pension.

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

### **Important**

Your benefits may be paid before *NPA*. You can also consent to be paid benefits after *NPA*, instead of claiming your preserved benefit. However, the value of benefits you receive must at least equal the preserved benefit you would have received.

## 7. What happens if you die before you are paid your preserved benefit?

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

### **Did you know?**

If you don't choose this option, the pension scheme must pay the value of your preserved benefit to your estate.

## 8. Transferring your pension benefit

Rather than opt for preserved benefit in the company scheme of your former employer, you may want to transfer your benefits to a new pension scheme.

You can transfer your benefits to:

- another company pension scheme of which you are becoming a member; or
- an approved insurance policy or contract; or
- a Personal Retirement Savings Account (PRSA) – as long as you haven't been a member of the old scheme or a related scheme for more than 15 years; or
- an *unfunded scheme* (most public sector schemes are unfunded), as long as the trustees of the scheme are willing to accept the transfer.

You cannot transfer benefits to:

- a scheme that provides death-in-service benefits only; or
- a scheme that does not come within the scope of the Pensions Act, unless provided for by regulations.

### Calculating your transfer payment

A transfer payment is the current cash equivalent of the preserved benefit to which you would have been entitled if you kept your benefits in your old scheme.

The rules regarding transfer payments differ depending on your scheme type.

**a. Defined benefit scheme**

- Your transfer payment must take into account any revaluation of your preserved benefit.
- Your transfer payment must take into account the benefit that would be payable if you were to die before the *NPA*.
- The transfer value can be adjusted if your scheme doesn't have sufficient funds to cover your additional preserved benefit.

Any decisions on adjusting your transfer amount will be based on the scheme's solvency position as disclosed in its most recent *actuarial funding certificate*.

The trustees of the pension scheme may also reduce your transfer payment on the advice of an actuary if the scheme does not satisfy the *funding standard* under the Pensions Act.

**b. Defined contribution scheme**

In a *defined contribution scheme*, the transfer payment is the accumulated value of your contributions. The value must be determined within three months of your transfer application being received by the trustees.

**Applying for a transfer payment**

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

**Important**

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.

### **How does your new scheme handle your transfer payment?**

The trustees of your new scheme must accept your transfer payment and must provide you with benefits equal to the amount transferred.

Benefits can be determined on a defined benefit basis or a defined contribution basis.

#### **Did you know?**

The trustees of your new scheme usually determine the value of your benefits at the time of the transfer and they should notify you of this value.

Note: Your benefit must be preserved even if you subsequently leave the new employer or scheme.

### **Transfer payments without your consent**

For smaller preserved benefits, the trustees of your scheme may opt to make a transfer payment into one or more insurance policies or contracts on your behalf.

If the transfer value is less than €10,000 (the current figure under Pensions Act regulations), the trustees can do this without your consent. This is to reduce administration and cost for pension scheme trustees.

The trustees must fulfill the following conditions:

- the transfer payment may not be made until at least two years after the termination of your employment;
- you must receive 30 days' notice of the proposed transfer and you must be given details of the new policy or contract;
- you must not have an outstanding request to transfer payment to another scheme or PRSA.

### Did you know?

If the transfer payment exceeds €10,000, the trustees may apply in writing to The Pensions Board for permission to make a transfer payment without your consent.

### Transferring payments when your pension scheme is wound up

Pension schemes are usually wound up when a company stops trading.

Once liabilities such as current pension payments and AVCs have been met, the trustees must provide the benefit you would have been entitled to if your employment had terminated at the date the company was wound up.

The trustees can make a transfer payment without your consent to another pension scheme, an approved insurance policy or contract, or to a PRSA as long as you haven't been a member of the old scheme or a related scheme for more than 15 years.

The transfer payment must at least equal the benefit to which you would otherwise be entitled.

## 9. Claiming a refund of your pension contributions

You are no longer allowed to access a refund of your contributions if you are entitled to a preserved benefit, nor can you claim a refund on any AVCs you have made. This is to protect the value of your benefit, which is intended for when you retire or for payment to your surviving spouse or dependents if you die.

In most cases, your employer makes contributions to your pension fund along with your own payments. Therefore, the value of your preserved benefit is usually much greater than the total of the contributions you have made.

If you have no preserved benefit and if the rules of your scheme allow it, you may claim a refund of your contributions. If you terminated your employment on or before 1 June 2002, you may also claim a refund of any contributions paid before 1 January 1991.

## 10. Your right to pension information

If you are a member of any scheme covered by the Pensions Act – including all public sector schemes – you are entitled to receive full information about your rights and options on leaving *relevant employment*.

### Did you know?

Your pension scheme trustees must provide you with up-to-date pension information on your request, even if you have terminated your employment.

### Information entitlements for members of a defined benefit scheme

Members of a *defined benefit scheme* are entitled to know:

- the amount of preserved benefit to which they are entitled
- the amount of any other benefits payable under the rules of their scheme
- the date or dates when their benefits become payable
- what their options are, if any, to have alternative benefits paid immediately
- information about increases in their benefits and whether these increases are discretionary. If there is no provision for increases, this must be stated.

### Information entitlements for members of a defined contribution scheme

Members of a *defined contribution scheme* are entitled to know:

- the amount of preserved benefit to which they are entitled under the Pensions Act – i.e., the accumulated value of their contributions at a date within the previous 12 months

## What happens to my pension if I leave?

- the accumulated value at the same date of any other contributions to which they are entitled
- the date or dates when their benefits become payable and a brief explanation as to how the benefits are calculated.

### **Information on refunds and transfer payments**

You are entitled to know:

- whether, and in what circumstances, a refund of your contributions is available, how it would be calculated and an estimate of the refund amount
- whether any transfer payment is available, an estimate of the amount involved and the accrued pension rights to which it relates
- if a transfer payment has been made by the trustees without your consent, the name and address of the scheme to which the transfer payment has been made, or the insurance company with which the policy has been arranged.

### **Scheme and payment details**

You are entitled to know:

- the name of the scheme and its trustees
- the name and address of those responsible for the payment of benefits and for providing details of any other rights and options
- the procedures for claiming benefits.

If your employment has been terminated or is about to terminate, the trustees of your pension fund must provide you with this information as soon as possible.

## 11. Claiming your preserved benefit

If you leave your employment before the *NPA*, your scheme trustees must tell you how to claim your preserved benefit when it becomes due for payment (see section 10).

### **Did you know?**

You cannot be deprived of your benefit entitlements because you didn't apply for them in time.

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.

### **Did you know?**

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.

## 12. How The Pensions Board can help you

At The Pensions Board, we recognise that the legislation covering preservation and transfer of your pension benefits is complex. Our staff are always available to answer queries and supply further information on this important aspect of the Pensions Act.

If you have any queries or concerns relating to the preservation of your entitlements, you should direct these to your scheme administrator. However, if you have problems obtaining information or receiving benefits to which you think you are entitled, The Pensions Board will fully investigate the matter for you.

The Pensions Board maintains a comprehensive register of pension schemes that are in operation since 1 January 1991.

### Did you know?

If you are attempting to claim preserved benefit but have mislaid details about your scheme, you should contact us. We will attempt to trace the address of the scheme and provide you with the necessary details.

Note: We find it much easier to trace a scheme if you can supply the last known name and address of the relevant employer.

### Determinations

The Pensions Board has the power to determine whether:

- the Pensions Act legislation conflicts with any rule of a scheme
- a scheme is a *defined benefit scheme* or a *defined contribution scheme* for the purposes of the preservation requirements
- a member's *relevant employment* may be treated as terminated.

You can request a determination relating to a pension scheme if you are:

- a member or prospective member of the scheme
- an authorised trade union representing members or prospective members of the scheme
- a trustee of the scheme
- an employer to which the scheme applies
- an agent to the scheme (e.g., administrator, actuary, accountant, legal adviser).

The Pensions Board may decide to hold an oral hearing prior to making a determination. You can appeal any determination to the High Court on a point of law.

## 13. The Pensions Board

### What is it?

The Pensions Board is a representative body composed of a chairperson and 16 ordinary members. The term of office for Board members is five years. The Board also has a chief executive and a team of staff in its office to take care of its day-to-day business.

While all its members are appointed by the Minister for Social and Family Affairs, the Board must comprise representatives of trade unions, employers, consumer interests, pensioner interests, the Government, the pensions industry, pension scheme trustees and professional groups involved with pension arrangements.

### What does it do?

Along with encouraging the take up of pensions so that all citizens will have an adequate retirement income, The Pensions Board also provides information and authoritative guidance to everyone with an interest in pensions: consumers, employers, trustees and the pensions industry. It also promotes the security and protection of pension scheme members and PRSA holders.

Its responsibilities include regulating and providing technical guidance on company pension plans, PRSAs and trust RACs. In addition, it advises the Minister for Social and Family Affairs on pension matters generally.

### How can it help you?

The Pensions Board can provide you with general information on occupational pension schemes, trust RACs and PRSAs. It publishes a comprehensive range of free booklets that can assist you with pension-related matters (see below for list of booklets).

If you have a complaint relating to your pension, the Board can advise you of your rights and direct you to the appropriate person or organisation for help. In some circumstances, the Board can act on behalf of pension plan members or PRSA contributors who have concerns about their pensions.

### **Pensions Board booklets**

The following booklets are available free of charge from The Pensions Board: Tel: (01) 613 1900; Locall: 1890 65 65 65; or download them from the website, [www.pensionsboard.ie](http://www.pensionsboard.ie)

#### **A brief guide to equal pension treatment**

As with all areas of working life, pensions are subject to equality rules and legislation. This guide explains the principles of equal pension treatment, discrimination and victimisation in relation to occupational pension schemes.

#### **A brief guide to the pension provisions of the Family Law Acts**

Guidance on the pension provisions of the Family Law Act, 1995 and the Family Law (Divorce) Act, 1996.

#### **A guide to hybrid pension schemes**

This booklet is intended to help employers, employees, union representatives and others involved with pensions to understand the different types of pension scheme designs. This is with a view to helping them to reach agreement about the most suitable type of pension scheme in a particular situation.

#### **A guide to your scheme's annual report**

A guide for pension scheme members to assist them in reading and understanding their scheme's annual report.

**Annuities – A brief guide**

Some pension plans require retiring members to buy an annuity, which is a product that pays you an annual income for the rest of your life. Find out more about annuities, including how they work and the choices you have.

**Integration – A brief guide**

Benefits from occupational or company pension plans, particularly *defined benefit schemes*, are often co-ordinated or integrated with those paid by the social welfare system. Find out how the integration system works and what it means for your pension benefits.

**Pension scheme funding and restructuring**

A guide to trustees and pension scheme members on the winding up of a pension scheme and the effects of mergers/acquisitions on pension schemes.

**Personal Retirement Savings Accounts (PRSAs) – A consumer guide**

This booklet shows you how to approach, search, apply for and monitor your PRSA. It also answers the most frequently asked questions on PRSAs.

**Personal Retirement Savings Accounts (PRSAs) – Employers' obligations**

Employers have certain legal obligations with regard to PRSAs. This booklet includes many frequently asked questions that should help employers to understand their responsibilities in this regard.

**Selecting member trustees**

A guide to the participation by members in the selection of occupational pension scheme trustees.

**So you're a pension scheme trustee?**

A brief guide to the duties and responsibilities of trustees of an occupational pension scheme.

**What are my pension options?**

Find out more about the different types of pensions you can use to save for retirement, such as company pensions, personal pensions, PRSAs and State retirement pensions.

**What do you know about your pension scheme?**

Trustees and employers must provide you with certain information about your pension plan. Find out what you are entitled to know.

**Women and pensions**

Women need to pay special attention to pension planning. This booklet addresses issues such as maternity leave, career breaks and re-entering the workforce and how these events affect your pension.

## 14. Useful addresses

### **The Pensions Board**

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Web: [www.pensionsboard.ie](http://www.pensionsboard.ie)

### **The Department of Social and Family Affairs**

Pension Services Office  
College Road  
Sligo  
Tel: (071) 9157100  
Locall: 1890 500 000  
Web: [www.welfare.ie](http://www.welfare.ie)

### **The Ombudsman's Office**

18 Lower Leeson Street  
Dublin 2  
Tel: (01) 639 5600  
Locall: 1890 223 030  
[www.ombudsman.gov.ie](http://www.ombudsman.gov.ie)

### **Office of the Pensions Ombudsman**

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## Glossary of terms

### **Actuarial funding certificate**

A certificate that Trustees of a defined benefit scheme must submit to The Pensions Board at least every three-and-a-half years. It is signed by an actuary. The certificate demonstrates that the scheme complies with the funding standard under the Pensions Act.

### **Defined benefit scheme (also known as a final salary plan)**

A pension scheme that provides members with retirement and death benefits based on specific formulae. The pension paid is usually based on your salary close to retirement and the length of your service. Many defined benefit plans are 'integrated' with the State pension. This means that the pension they pay allows for the fact that you will receive a State pension.

### **Defined contribution scheme (also known as a money purchase plan)**

A scheme that provides pension income by using the value of the member's individual retirement account. The pension you receive will be based on the:

- contributions paid into the account
- investment returns on those contributions
- cost of purchasing the member's pension using annuity rates.

Many defined contribution pension plans also provide benefits on the death of an employee who is a member of the pension plan. These benefits are usually based on the member's salary at death.

### **Funding standard**

The funding standard ensures that a defined benefit scheme has sufficient funds to secure the pensions rights that members have built up should the scheme have to be wound up at any stage. To comply with the funding standard, a defined benefit scheme must be able to meet certain liabilities, as set down in the Pensions Act.

### **Long service benefit**

Pension benefits payable at or after the normal pensionable age (NPA), assuming that you remain in relevant employment until the NPA. Long service benefit may take the form of regular pension payments and/or a lump sum. It also includes any benefits payable on death after the NPA to your spouse or dependants. These benefits may be a separate pension or, for example, a guaranteed payment of your pension for a set period after your death.

### **Normal pensionable age (NPA)**

The later of age 60 or the earliest date you are entitled to receive immediate benefits on retirement under the rules of your pension scheme.

### **Reckonable service**

The time you have spent in relevant employment (including part-time employment) while a member of a pension scheme. It does not, however, include service as a member of a scheme where:

- the only benefit under the scheme is payable on death before the NPA
- you have been notified in writing by the trustees that the period of service does not entitle you to benefits on retirement
- the scheme does not come within the scope of the Pensions Act (e.g., a scheme based in another state that hasn't been approved for tax purposes).

## What happens to my pension if I leave?

Furthermore, if a scheme allows for extra years of pensionable service to be taken into account for benefit purposes (e.g., service before joining the scheme), or enables members to purchase extra years of benefit, these years are not regarded as reckonable service.

### **Relevant employment**

Any employment where you are making contributions to a pension scheme.

### **Unfunded scheme**

Pension schemes are usually backed by a fund or insurance policy to ensure that members are paid the benefits they are entitled to in retirement. An unfunded scheme is not connected to a fund or policy.

## Appendix

### 1. Calculating basic preserved benefit in a defined benefit scheme

To calculate your basic preserved benefit, you use this formula:

$$A \times \frac{B1}{C}$$

#### Definitions:

A = The amount of long service benefit due at the date you terminated your employment. This doesn't include benefits relating to AVCs or transfers from another pension scheme.

B1 = The number of years of reckonable service you completed after 1 January 1991.

C = The number of years of reckonable service you would have completed if you stayed in the job until the NPA. This includes any reckonable service prior to 1 January 1991.

#### *Case study 1 – Calculating basic preserved benefit in a defined benefit scheme*

- John Burns began employment with ABC Ltd on 15 July 1982.
- His date of birth is 4 September 1957.
- He terminated his employment with ABC Ltd on 11 December 2002.
- He earned €24,000 in 1999, €25,000 in 2000 and €26,000 in 2001.

***Case study 1 – Calculating basic preserved benefit in a defined benefit scheme***

The ABC Ltd pension scheme has the following rules:

- A pension benefit of 1/60th of final pensionable salary for each year of pensionable service at NPA.
- NPA is 65.
- Final pensionable salary is defined as the average salary earned in the three years before NPA.
- Pensionable service is defined as complete years of service with the company, subject to a maximum of 40 years.
- Employees aren't eligible to join the pension scheme until they reach age 30.

**Calculating A**

If John had stayed in his employment until the NPA, he would have completed 40 years of pensionable service. So he will receive 40/60 (two-thirds) of his average salary over the last three years of his employment.

$$\begin{aligned} & (\text{€}24,000 + \text{€}25,000 + \text{€}26,000) \div 3 = 25,000 \times 40/60 \\ & = \text{€}16,667 \end{aligned}$$

**Calculating B1**

John was a member of the pension scheme from 1 January 1991 to 11 December 2002.

$$= 11 \text{ years, } 11 \text{ months (11.917 years)}$$

***Case study 1 – Calculating basic preserved benefit in a defined benefit scheme***

**Calculating C**

John joined the pension scheme aged 30 on 4 September 1987.

4 September 1987 to 4 September 2022 (age 65)

= 35 years

Basic Preserved benefit = €16,667 X (11.917/35)

= €5,675 (rounded to nearest euro).

**2. Calculating additional preserved benefit in a defined benefit scheme**

To calculate your additional preserved benefit, you use this formula:

$$A \times \frac{B2}{C}$$

A and C are calculated as before, but B2 is the number of years of reckonable service completed before 1 January 1991.

***Case study 2 – Calculating additional preserved benefit in a defined benefit scheme***

Remember:

- John Burns began employment with ABC Ltd in 1982.
- He joined the company pension scheme in 1987.
- He terminated employment with ABC Ltd after 1 June 2002.

***Case study 2 – Calculating additional preserved benefit in a defined benefit scheme***

**Calculating B2**

John was a member of the scheme from 4 September 1987 to 1 January 1991

= 3.33 years

John's additional preserved benefit is:

$$\begin{aligned} & \text{€}16,667 \times (3.33 \div 35) \\ & = \text{€}1,586 \text{ (rounded to nearest euro).} \end{aligned}$$

**3. Calculating preserved benefit based on company service**

In some cases, when you terminate your employment, the rules of your pension scheme may give you a benefit based on company service rather than your service as a pension scheme member.

***Case study 3 – Calculating preserved benefit based on company service***

Let's assume that ABC Ltd awards John Burns a benefit based on his company service.

The benefit is calculated as a proportion of his total potential company service. John has served 20 of the maximum 40 years of service so his benefit is calculated as follows:

$$\frac{20}{40} \times \text{€}16,667 = \text{€}8,333$$

***Case study 3 – Calculating preserved benefit based on company service***

- John's basic preserved benefit = €5,675 (see case study 1)
- Benefit under scheme rules (€8,333) minus basic preserved benefit (€5,667) = €2,658
- John's additional preserved benefit = €1,586 (see case study 2)

The difference between John's scheme benefit and his basic preserved benefit (€2,658) is greater than his additional preserved benefit (€1,586), so the higher amount becomes his additional benefit. In some cases, the additional preserved benefit is the higher amount. In those instances, it is that amount which is paid along with the basic preserved benefit.

So John's total preserved benefit at NPA is €8,333 (€5,675 + €2,658) per year in present day values.



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