



Pensions Update

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Agenda

- Overview of pension structures
- Recent Developments
- Future Changes
- Planning

What are the main types of arrangements?

- State funded or private
- Occupational Schemes
- Personal Pensions
- Personal Retirement Savings Account (PRSA)
- Approved Retirement Funds (ARF)
- Revenue approval required

Self administered Schemes

- Scheme has less than 12 members and 65% of fund is attributable to directors, their spouses or dependents
- Often one member schemes
- Choice of underlying assets
- Must have a pensioner trustee
- Accounts must be submitted annually/ triennial funding reviews

Pension: Precluded Activity

- Loans to beneficiaries
- Purchase of asset by a beneficiary
- Sale of asset to a beneficiary
- Beneficiary using residential property or holiday home
- Acquisition of shares in company in which the member is a participator
- Also apply to connected parties

Approved Retirement Funds – ARFs

- Created Finance Act 1999
- An alternative to annuities have a capital value capable of being inherited
- Not strictly a pension
- A portion needs to be transferred to an AMRF

Approved Retirement Funds –ARFs (cont'd)

Tax Treatment

- Child over 21 - exemption from CAT in accordance with Section 85 CATCA – income tax
- Child under 21 - exemption from income tax; subject to CAT
- Possibility of a Section 72 policy
- Imputed drawdown subject to income tax in the normal way

ARFs – Current Issues

- Security
- Transfers
- Drawdowns
 - Death
- PAOs
 - Property Adjustment Orders?
 - New ARFs?

Tax Changes - Background



- Four Year Plan 2010-2014
- Fine Gael Manifesto
- Programme for Government 2011-2016
- Jobs Initiative

Tax Changes to Date

- Standard Fund Threshold
 - €5m introduced Dec 2005
 - Indexed to €5.4m by 2008
 - Reduced to €2.3m Dec 2010
- Lump Sums
 - Previously up to 25% tax free
 - Reduced in Dec 2010:
 - First €200k - tax free
 - Next €375k - 20% tax
 - Above €575k - marginal rate

Tax Changes to Date

- Levy
 - Introduced May 2011 – Jobs Initiative
 - 0.6% per annum for 4 years
 - On all pre retirement funded benefits
- Earnings Limits
 - 2008 - €275,239
 - 2009 - €150,000
 - 2010 - €115,000
- USC

Tax Changes to Date

- ARF Drawdown
 - Pre FA 06 – none
 - 2007 – 1%
 - 2008 – 2%
 - 2009 – 3%
 - 2011 – 5%
- AMRF Requirement
 - Pre FA 2011 – Income requirement €12.7k and AMRF of €63.5k
 - FA 2011 – Income requirement €18k and AMRF of €120k

Tax Changes to Date



- Contributions to PRSAs (employee)
 - In 2010, contributions to a PRSA received (within relevant limits):
 - Tax relief at their marginal rate
 - PRSI relief
 - Health Levy relief
 - From 1 January 2011, contributions to a PRSA receive:
 - Tax relief at their marginal rate
 - No PRSI relief
 - No USC relief
- Contributions to PRSAs (employer)
 - PRSI exemption reduced by 50% in 2011

Summary Budget 2012

Pension Changes



- Employer PRSI exemption on Employee Contributions
 - Further 50% removed
- 6% ARF Drawdown
 - On values over €2m
- Vested PRSA
 - 5% drawdown
 - 6% over €2m
- ARF exits on death – tax increased from 20% to 30%

Summary Budget 2012

Pension Changes



- Payment of Excess Fund Tax
 - Max 50% of LS
- Balance from
 - Gross pension adjustment 10- years
 - Gross distribution from ARF
 - Own resources
- Judges Concession
 - Encash private pension (tax at 45%)
 - Not included in PFT/SFT

Further Changes?



- 4 Year Plan Changes on hold
 - Reduction in tax relief for contributions
 - 34% in 2012
 - 27% in 2013
 - 20% in 2014
- Further Reduction in SFT to €1.5m?
- Pension Limit of €60,000?
- Investment by Pension Funds in Ireland?

Pensions Legislation



- Funding Standard for DB Schemes
- Sovereign Annuities
- EU rules on solvency and prudence
 - One member arrangements

Marketplace



- Economic Crisis lead to destruction of €300bn in wealth
- Pension funds lost 25%
- Savings ratio is increasing
- Population is ageing

Marketplace

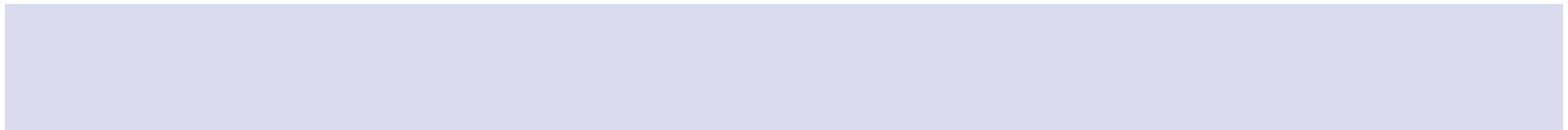


- Overall pensions market isnt growing
- Providers are under pressure
 - Temporary bidding war
- Consolidation is increasing
 - ILAC, Bloxhams
- Greater Regulatory Pressure
 - CHC
 - EU developments
 - Number of Intermediaries

Impact on Advisors



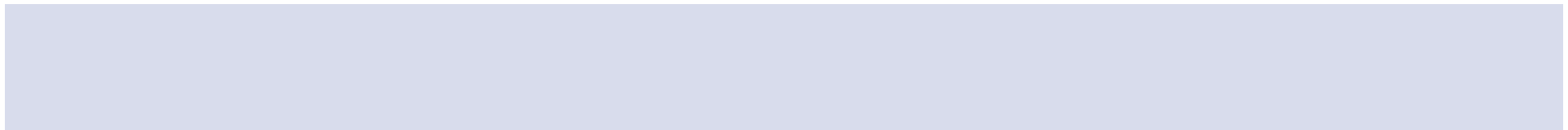
- Greater need for Consultancy
 - Auto-enrolment
 - RDR type changes
- Retirement planning
 - More Complex
 - Interaction with Security, Capital Taxes
- Greater competition among advisors
- Greater regulatory burden with Fitness and Probity



Impact on Clients



- Need to accumulate More Assets
- Focus on:
 - Security of Structures
 - Cost Effectiveness
 - Flexibility
- Retirement Planning
 - More complex
 - Capital Taxes



Impact on Pensions



- Tax Changes means that available tax benefits must be maximised
- Restructuring of Schemes towards employer contributions
- Individualisation of benefits
- Integration with SW Benefits and timelines
- Emphasis on Security and Flexibility
- Greater Focus on assisting the Irish Economy

Impact on Pension Providers



- Fewer players
- Need to address security
 - EU Scheme for Insurers?
 - Separation of powers – custodians and investment managers
- Greater Capital Requirements and Regulatory Burden

ITCs Approach



- Flexible Structures
- Structures constantly reviewed to Maximise Security
- Separation of Powers already Implemented
- Build Capital Base in anticipation of Further Restrictions
- Transparent Remuneration in place
- Focus on Advisors that will survive
- Technical Team to assist in maximising opportunities for clients

Questions?