

PRSA PRSA PRSA

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BY September 15th, 2003, Boards of Management as employers will be obliged to give all employees access to a **Standard PRSA**, or some form of pension arrangement. If you have an existing pension scheme in operation, you will have to review it, in order to ensure it complies with the new rules.

WHAT IT'S ALL ABOUT?

The Government has just introduced a new type of pension arrangement, called a Personal Retirement Savings Account or PRSA for short. **This is a private pension plan** not a state pension scheme. PRSAs are new flexible pension plans that meet certain minimum standards laid down by the Pensions Act 1990. It is a contract between an individual and a PRSA provider in the form of an individual investment account. **All PRSAs have to meet set standards laid down by the government.**

The pension legislation introducing PRSAs also includes some new rules and regulations that employers must comply with. The most important of these is that as an employer, you will need to offer **ALL** employees access to some form of pension arrangement. The PRSA must be affordable, flexible, portable, transferable and must offer good value for money.

There is no requirement for

employers to contribute to employee's PRSAs.

MAKING PRSAs AVAILABLE TO YOUR EMPLOYEES

- Give your employees the opportunity to arrange their PRSAs
 - Allow the PRSA provider access to your staff
 - Employees must be given a reasonable amount of paid leave to do so.
- Make payroll deduction facilities available.
 - You must offer all employees the right to have contributions deducted from their pay.
 - Employees who prefer to do so may pay their contributions by direct debit.
- Remit the contributions within 21 days of the end of the month in which you deducted them.
- Provide your employees with regular information about their plans.

THE PROVIDERS

Under the Pensions Act 1990, the Pensions Board is responsible for the regulation and supervision of PRSAs. To date, the Pensions Board has approved eight PRSA providers – Ark Life, New Ireland, Irish Life, Hibernian Life & Pensions, Canada Life, Eagle Star, EBS Building Society and Friends First – to sell a total of 48 different

PRSA products, with four other companies due to be given approval for their PRSA products in the next few weeks. Of the 48 products approved, 28 are non-standard PRSAs.

While employers will have no responsibility for the performance of their employee's PRSA, your chosen PRSA provider must be capable of giving your employees sufficient information about the PRSAs – including a 'reasonable projection' of the benefits that they might provide so that they can make an informed decision about whether or not they wish to start one.

CONTRIBUTIONS AND TAX RELIEF

An employee's contributions to a PRSA if paid through payroll deductions automatically benefit from income tax relief, as they are deducted from pay before the calculation of PAYE, PRSI and Health Levy.

If the employee decides to pay contributions by direct debit he/she will need to notify the tax office to have the tax credits appropriately amended and a new Certificate of Tax Credits issued.

ADVICE AND HELP

The Pensions Board produces user-friendly booklets and provides information on PRSAs on its website www.pensionsboard.ie. It is also available to take queries on 01 6131900.

Alternatively, the Revenue Commissioners have information on the treatment of pensions and PRSAs in the 2002 tax briefings issue 47 and 50. They are available to download any www.revenue.ie listed under tax briefing.

Your bank will be able to arrange a meeting for the Board of Management with a pension specialist to answer any questions you may have.

Throughout the process of introducing PRSAs to your employees it is vital to get the communication right. It is important to get the message across to staff so that they understand what's going on.