Irish Life

Master Trust & PRSA

Frequently Asked Questions

Interactive Document

July 2023

This is a technical guide for financial brokers or advisers only and is not intended as an advertisement.

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Sections

The recent Finance Act 2022 changes mean that the existing Revenue Manual guidance is now out of date. This document is based on our current understanding as at July 2023, however it is important to be aware that this should not be regarded as tax advice and that the industry is awaiting updated guidance.

Section 1: Key Pension Technical Points

1. A Master Trust is a company pension scheme. Master Trusts are subject to the same legislation as other company pensions, such as on maximum contributions, tax relief and benefits

2. Master Trusts have been approved for use as an alternative to one-member arrangements in the Retail market.

3. There is no change to the vast majority of PRSA legislation. For example, there has been no change to PRSA transfer rules or PRSA benefit options.

4. Employer PRSA contributions are no longer subject to an annual BIK limit of 15% to 40% of the employee's earnings.

5. Employers can claim tax relief on single premium PRSA contributions in the year they're paid. Unlike company pensions, PRSA tax legislation doesn't require the employer to spread tax relief forward.

6. Employee and self-employed PRSA contributions continue to be subject to an age related tax relief limit of 15% to 40% of relevant earnings (capped at €115,000).

7. Employer contributions to company pensions or, from 1 January 2023, to a PRSA do not count towards the employee's own tax relief limits. Note that for employees who make contributions before 31 October/mid-November 2023 to backdate against their 2022 earnings, any employer PRSA contribution made in 2022 does count towards the employee's own tax relief limits

8. If an employee is a member of a company pension and also has a PRSA relating to the same employment, then in practice the total combined value of the company pension and PRSA is subject to Rev Max benefit rules. For example, if someone has a company pension and PRSA for the same employment the PRSA must be taken into account when running RevMax funding checks on the company pension. This means that as the PRSA increases in value it will impact the company pension maximum fund.

   Because of this, it is likely that individuals will typically have either company pension or PRSA for a particular employment, not both.

9. Transfers from a Master Trust to a PRSA are permitted where the employee has changed employment, or where the plan under the Master Trust is being terminated. For more information see here.

10. Individuals continue to be subject to a lifetime limit on tax relieved pension funds of €2m Standard Fund Threshold (or Personal Fund Threshold).

11. There has been no change to the rules on salary sacrifice and general anti-avoidance. Salary sacrifice (i.e. reducing remuneration in exchange for employer pension contributions) continues to be prohibited for company pensions and PRSAs. In addition, all pension contributions should be for bona fide commercial purposes.

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Section 2: Irish Life Retail Master Trust

New Business – Joining the Retail Master Trust

Is an employer contribution required?

Yes. It is a requirement of all occupational pension schemes that employers make a “meaningful” contribution, and this applies to Master Trust also. In the Retail MT there must be a meaningful contribution by the relevant employer to every plan (or plans) for each member.

In the past Revenue have accepted the following as examples of meaningful contribution

- The employer contributing a regular contribution of at least the product minimum, and which will reach at least €3,000. Employers making small contributions which cease after a few months is not accepted by Revenue as being meaningful.
- An employer single contribution of at least €3,000

In all cases Revenue expect that occupational pension schemes are put in place for the purpose of building up retirement benefits for members.

Will the Master Trust accept execution only business?

No, the Retail MT is intended for members who will work with their financial advisor towards their retirement goals. Membership is only available through financial advisers who will carry out a suitability review to assess the suitability of the Retail MT for their client’s needs.

Can an employer based outside the Republic of Ireland join the Retail Master Trust for their employees based in Ireland?

No. Irish Life is only authorised to transact business within the Republic of Ireland (ROI) and therefore cannot facilitate plans under the Retail Master Trust if the proposing employer is based outside ROI.

Can an employee based outside the Republic of Ireland join the Retail Master Trust?

In order to be eligible to join the Retail Master Trust, the employee must be in receipt of remuneration from the relevant employer which is subject to Irish income tax under Schedule E (PAYE).

Membership of the Retail Master Trust is only available through financial advisers who will carry out a suitability review. It is a matter for the financial adviser to make sure they have the appropriate authorisation if they are providing a suitability review to a potential member who is not habitually resident in ROI.

Can a company pension term assurance plan be set up under Retail Master Trust?

No, company pension term assurance plans are excluded from the requirements of IORP II. Currently the option available is that any new Irish Life Retail company pension term assurance will be a one-member plan with the employer appointed as trustee.

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Transfers into the Retail Master Trust

Is an employer contribution required before a transfer value is received?

Yes, a transfer value can only be accepted where the employer is making a "meaningful" contribution.

In the past Revenue have accepted the following as examples of meaningful contribution

- The employer contributing a regular contribution of at least the product minimum, and which will reach at least €3,000. Employers making small contributions which cease after a few months is not accepted by Revenue as being meaningful.
- An employer single contribution of at least €3,000

In all cases Revenue expect that occupational pension schemes are put in place for the purpose of building up retirement benefits, not solely for the purpose of receiving a transfer, and this applies to a Master Trust also.

As before, Personal Retirement Bonds and PRSAs are available if a transfer value only plan is needed.

Can existing Irish Life one-member executive pensions transfer to the Retail Master Trust?

Our aim is that existing Irish Life one-member executive pensions will be able to transfer to the Retail Master Trust keeping their existing investment options and charges. There may be changes in some cases, for example any exit charges relating to current contributions will continue to apply if the member leaves within the exit charge period, however, exit charges will not apply on any future contribution increases. Members will be notified in advance if there are any changes to their terms and conditions.

One-member executive pensions that started on or after 22 April 2021 where Harmony Pension Trustees acted as trustee moved to the Retail Master Trust on 30 June 2023 (or will move within 6 months of receiving Revenue approval).

The process for moving pre 22 April 2021 one-member executive plans into the Retail Master Trust is being finalised, we will provide further details as this is available.

One-member arrangements set up before 22 April 2021 are not subject to IORP II governance regulations until April 2026.

If there are employers acting as trustees who no longer want to keep this role, they can appoint Harmony Pension Trustees, part of the ITC Group, to act as trustee on their one-member executive pension scheme.

This can be done by

- the employer and employee completing a Supplementary Letter of Exchange, available here, and
- sending it to existingbusiness@irishlife.ie

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Transfers out of the Retail Master Trust

Can an employee transfer out of the Retail Master Trust to another Master Trust or other company pension?

Yes. The plan for an individual member within the Retail Master Trust can be terminated, and the value can be transferred to another Master Trust or other company pension that the individual is already a member of relating to either the same employer or their new employer.

Can an employee transfer out of the Retail Master Trust to a PRSA?

Yes. The plan for an individual member within the Retail Master Trust can be terminated, and the value can be transferred to a PRSA.

A certificate of benefit comparison may be required to transfer to a PRSA. The receiving PRSA provider will confirm whether or not a certificate of benefit comparison is required. It is their responsibility to ensure that one is provided to members where required.

For transfers from the Irish Life Retail Master Trust to an Irish Life PRSA our interpretation is that a certificate of benefit comparison is required for transfers of €10,000 or more.

Can an employee transfer out of the Master Trust to a PRB?

Yes. Employees can transfer from the Retail Master Trust to a PRB where the employee has left employment or where the member and relevant employer have agreed to terminate the individual's membership of the Master Trust.

Employer Responsibilities

Does using a Master Trust remove all duties and responsibilities from the employer?

While an employer does not have any trustee duties under the Master Trust, under the Pensions Act 1990 some duties remain the employer's responsibility. It is very important that contributions due are paid to the pension scheme. Amounts deducted from the employee's salary/wages must be paid over to the pension scheme by the 21st of the following month.

The employer is responsible for passing on employee pension contributions in all circumstances. Whether the employer acts as trustee of a one-member scheme, the employer uses a Master Trust, or the employer uses a PRSA scheme, the Pensions Act puts the same duty on the employer to pass on employee pension contributions by the 21st of the following month.

In addition, the employer must provide its employees with a statement, usually on the payslip, showing the employer and employee contributions paid in the previous month.

The employer should also keep Irish Life up to date on any changes to employer or member details.

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Structure of the Retail Master Trust

Irish Life Retail Master Trust Key Roles	
Trustees	Independent Trustee Services DAC
Registered Administrator	Irish Life Assurance plc
Internal Auditor	Mazars
Risk Manager	Lane Clarke Peacock

What is a Master Trust (MT)?

A Master Trust is a company pension scheme. Most company pensions have one employer, or employers which are part of the same group of companies. A Master Trust has a number of unconnected employers participating in the scheme.

A Master Trust is subject to the same legislation as other company pensions, for example the same rules for contributions, tax relief and retirement options.

Does the Irish Life Retail Master Trust allow choice for participating employers and members?

Each member has their own plan (or plans) under the Irish Life Retail Master Trust. This gives each employer and member flexibility in terms of product, investment choice and contribution amounts. This allows clients to work with their financial adviser so that their pension plan meets their individual needs.

Who is the trustee on the Irish Life Retail Master Trust?

Independent Trustee Services DAC (ITS) are the trustee. Irish Life believes that the MT trustee should be independent as well as having the experience, knowledge and qualifications to carry out this role.

ITS previously acted as trustees to Irish Life one-member company pensions. ITS is now solely focused on its role as an independent professional trustee to the Irish Life Retail Master Trust. This allows ITS and Irish Life to work closely together to ensure that all processes are in line with pension legislation, including the requirements of the IORP II regulations and the Pensions Authority Code of Practice for Trustees.

Where can I get more information on Independent Trustee Services DAC (ITS)?

ITS is part of the ITC Group, which has been trading since 1994. Its sole focus is to provide a high-quality and professional independent trustee service to the Irish Life Retail Master Trust. Click here for more information on the ITC Group.

What is the role of the trustee on a company pension scheme?

A trustee's role is to oversee the pension scheme. It is required to act prudently and in the best financial interest of the beneficiaries. A trustee is also the legal owner of the assets.

The role of a trustee is separate to the role of a financial adviser. For example, a trustee will not give investment advice; this remains the adviser's role. Undertaking both roles could be considered a conflict of interest. Only members who have received advice may join the Retail Master Trust. ITS are committed to supporting you as adviser by stressing the importance of the member taking financial advice.

Revenue & the Pensions Authority

Is there still a Revenue process for new plans set-up under Master Trust?

Yes. While the MT has been approved by Revenue at a scheme level, there is a requirement to notify Revenue of new plans that are set up within the MT. While this might be called a Revenue registration process rather than a Revenue approval process, the requirements are largely similar:

- As before, only employees who are in receipt of earnings from a relevant employer are eligible for membership of the Master Trust.
- The requirement to provide a payslip or MyAccount Employment Details Summary (formerly P60) applies on new plans and top-ups.
- All contributions must be within Revenue max limits.
- As before, information on salary, dates of joining service, and information on other pensions will be required in order to carry out a Rev Max contribution check. Retained benefit information on pensions relating to past employments is not required if the Rev Max contribution check is done on the less generous strict 60ths scale.
- Contributions can start once all relevant information, including evidence of salary, has been received and we have submitted this to Revenue. We do not have to wait for Revenue to complete their registration process before accepting contributions.
- As before, transfers in can be accepted after employer contributions have started.

How much is the annual Pensions Authority fee reduce on our Master Trust?

The annual Pensions Authority fee is based on the number of active members in the scheme each year:

Number of Active members in the Master Trust	Annual Pensions Authority fee
Up to 500 members	€12 per member
More than 500 and up to 1,000 members	€6,000 per scheme that is, a fee of between €12 and €6 per member
1,001 members or more	€6 per member

Processes

Under what circumstances will ITS contact the employer and employee?

The adviser continues to be the key support to one-member company pension scheme clients. Any adviser or client instructions on plans, or requests for information, should be sent to Irish Life, and we will contact the trustee if necessary. Usually there is no need for the adviser or client to contact the trustee directly.

ITS as trustee may need to become involved at certain times. For example:

- On the death of the member, they will contact the necessary people to determine who receives the death-in-service benefits
- If a Pension Adjustment Order is issued following the divorce or judicial separation of the member

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- On a complaint involving the Financial Services and Pension Ombudsman or that involves the trustees Internal Disputes Resolution procedure

How does ITS decide how death-in-service benefits are paid?

On the death of a member while in service, ITS will contact the personal representatives of the member and any other relevant people in order to determine who should receive the lump sum and any spouse's/dependant benefit payable.

The member may give the trustees a 'letter of wishes' at the commencement of the scheme. This is a written request from the member that benefits are paid in a certain way on death. The member may update the 'letter of wishes' at any time. While this request is not binding on the trustees, they will take it into account when deciding how benefits will be paid.

If the member dies after leaving relevant employment, having completed at least two years qualifying service, then in accordance with the Pensions Act 1990 the benefit must be paid to the deceased's estate. It will then be for the personal representatives to distribute the benefit, either in accordance with the member's will or in accordance with the terms of the Succession Act 1965.

How are the Master Trust processes different to the processes for one-member company pensions?

The employer and the member continue to make the decisions and give instructions regarding the level of contributions, the investment choice, and the payment of retirement benefits.

You can see how this works for the most common requests in the table on the next page.

There can be some differences in who correspondence is sent to, for example:

- With the Retail Master Trust, Irish Life will send the Pension Benefit Statement directly to the employee.
- If Harmony Pension Trustees are trustee on a one-member arrangement, Irish Life will send the Pension Benefit Statement directly to the employee.
- If the employer is trustee on a one-member arrangement, Irish Life will send the Pension Benefit Statement to the employer, as trustee, and the employer must then pass this to the employee.

When we receive an instruction on a plan, who receives correspondence confirming that the request has been processed will generally be determined by who gave the instruction.

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• Member decides how much they pay (if anything)
Employer confirms all contribution changes to Irish Life</td><td colspan="2">• Employer must contribute. Employer decides how much it pays
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Section 3: PRSAs

Employer and Employee Contributions

What are the employer contribution limits to a PRSA?

There is no pension legislation limit on employer PRSA contributions.

The €2 million standard fund threshold (SFT) does apply to the employee's total tax relieved pension benefits.

Does the €115,000 salary cap apply to employer PRSA contributions?

No. The salary cap does not apply to employer PRSA contributions.

Is the employer required to spread the relief for employer single premium PRSA contributions over a number of years if this exceeds the employer regular PRSA contribution?

PRSA tax legislation does not include any requirement for the employer to spread relief on single premium contributions that exceed the employer regular contributions. As such our interpretation is that employers can include both single and regular contributions as expenses in the company account in the year in which these are paid.

Are there limits to employee contributions to a PRSA?

The maximum an employee can pay into a PRSA each year and receive tax relief is a percentage of their salary, capped at €115,000, and based on their age at 31 December in the relevant year.

Age	% of earnings
Under 30	15%
30 – 39	20%
40 – 49	25%
50 – 54	30%
55 – 59	35%
60+	40%

Employer contributions paid after 1 January 2023 no longer count towards the employee's scope to make PRSA contributions themselves.

Note that if an employee is making a contribution before 31 October 2023 (or before mid-November for those qualifying for the ROS online deadline extension) and is backdating this against their 2022 earnings, then any employer PRSA contribution made in 2022 does count toward the employee's own limits.

Can an employer contribute to both a PRSA and a Master Trust / company pension at the same time?

Yes. An employer can contribute to a company pension and a PRSA for the same employee at the same time.

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However, the company pension continues to be subject the existing Rev Max funding rules. The max funding in the company pension must take the PRSA into account as a pension benefit relating to the same employment.

So, in practice an employer contributing to a PRSA and a MT / company pension for the same employee cannot pay in more than an employer contributing to just a MT / company pension.

Can an employee contribute to both a PRSA and a Master Trust / company pension at the same time?

No. To get tax relief an employee in a company pension would have to contribute to a PRSA AVC.

Can a proprietary director or an employee of an investment company have their employer contribute to a PRSA?

Arms-length employees of an investment company can be included in a Master Trust / company pension for that employment, or their employer can pay into a PRSA.

Proprietary directors of an investment company cannot be included in a Master Trust / company pension for that employment. It is unclear if the same restriction applies to employer contributions to a PRSA. If the restriction doesn't apply it is likely this is an oversight in the drafting of the legislation and we would expect that this would be amended so that the employer will also be prohibited from contributing to a PRSA.

Can a non-resident employer pay into a PRSA for their Irish based employees?

Yes. A non-resident employer can pay into a PRSA for their employees who are

- Habitually resident and tax resident in Ireland, and
- Registered employees of the company, and
- In receipt of schedule E income from the company

A SEPA bank account is required for Irish Life to be able to collect contributions.

Does someone have to be receiving a salary for an employer to make PRSA contribution?

Irish Life will accept PRSA contributions from an employer where the person is registered as an employee of the company and in receipt of schedule E income.

What's the position with a spouse or family member being employed and receiving employer PRSA contributions?

For employer contributions to be paid to a PRSA or to a Master Trust / company pension for a spouse or family member

- The employment must be genuine, and
- The person must be registered as an employee of the company, and
- The person must be in receipt of schedule E income from the company.

All tax exemptions and reliefs are subject to a general anti-avoidance rule. The intention of this rule is to stop 'tax avoidance transactions' which have little or no commercial reality, but which artificially create a tax deduction. Revenue have stated in their guidance that provided a relief is

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being claimed in a routine fashion for bona fide commercial purposes, as intended by the legislation, it is unlikely that it will be a ‘tax avoidance transaction’.

Is salary sacrifice allowed on PRSAs?

No. An employee cannot waive part of their remuneration in return for an increased employer PRSA or company pension contribution.

If salary sacrifice did occur the employer pension contribution paid would be considered income earned by the employee and taxed accordingly.

PRSAs & Pensionable Employment

If an employer contributes to a PRSA, is the employee in pensionable employment?

Revenue have recently advised that where an employer contributes to a PRSA for an employee that employee is in pensionable employment.

Will employer contributions to a PRSA make a client ineligible for a personal pension?

As employees in a PRSA where the employer contributes are now classed as being in pensionable employment it follows that they are ineligible for a personal pension or a personal pension term assurance plan. However, it is not clear if this is Revenue’s intention and we will be raising this with them.

Their employer can set up a company pension terms assurance plan.

Transfers into PRSAs

Can an employee transfer out of a Master Trust to a PRSA?

Yes. The plan for an individual member within the Retail Master Trust can be terminated, and the value can be transferred to a PRSA.

A certificate of benefit comparison may be required for a transfer to a PRSA. The receiving PRSA provider will confirm whether or not a certificate of benefit comparison is required. It is their responsibility to ensure that one is provided to the member where required.

For transfers from the Irish Life Retail Master Trust to an Irish Life PRSA our interpretation is that a certificate of benefit comparison is required for transfers of €10,000 or more.

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Retirement

Can an employee take early retirement from age 50 from a PRSA?

Early retirement from age 50 is available from a PRSA where the employee

- Has retired from schedule E employment, and
- Is not working anywhere else as an employee, or in a self-employed capacity.

Do 20% directors have to dispose of their shareholding when taking early retirement from a PRSA?

Yes. 20% directors looking to take early retirement from a PRSA (before age 60) must sever all links with the company and dispose of their shareholding in addition to the above requirements.

How are retirement benefits paid where an employee has a PRSA and a Master Trust, company pension or PRB for the same employment?

Retirement benefits from the PRSA are paid as normal, with a 25% retirement lump sum and options of an ARF, taxed cash or an annuity with the balance.

Retirement benefits from a Master Trust, other company pension or PRB are subject to a max funding check as normal when retirement benefits are being taken. Where the member also has a PRSA from the same employment that PRSA is counted as another pension from that employment in all RevMax checks. If the member's benefits are overfunded the excess is returned to the employer to be treated as a trading receipt.

Amounts within RevMax limits are paid as normal from the Master Trust, company pension and PRB,

Option 1:

- 25% retirement lump sum
- Balance to ARF, taxed cash or to purchase an annuity

Option 2:

- Salary & Service retirement lump sum, taking retirement lump sum from PRSA into account, and
- Balance to purchase an annuity
- ARF and taxed cash option available on any AVCs.

Retirement benefits from a Master Trust, company pension and PRB must be taken at the same time where these relate to the same employment. Retirement benefits can be taken from a PRSA at a separate time.

Can a client take 1.5 x salary retirement lump sum from a company pension, or Master Trust, and 25% from a PRSA for the same employment?

No. The client can always take a 25% retirement lump sum from a PRSA. The PRSA lump sum will not be reduced by any company pension retirement lump sum.

However, where there is a company pension and PRSA for the same employment the company pension salary and service lump sum will be reduced by the PRSA lump sum.

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Section 4: PRSAs & Master Trust Same Employment

Contributions

Can an employer contribute to both a PRSA and a Master Trust / company pension at the same time?

Yes. An employer can contribute to a company pension and a PRSA for the same employee at the same time.

However, the company pension continues to be subject to the existing Rev Max funding rules. The max funding in the company pension will have to take the PRSA into account as a pension benefit relating to the same employment.

So, in practice an employer contributing to a PRSA and a MT / company pension cannot pay in more than an employer contributing to just a MT / company pension for the same employee.

Can an employee contribute to both a PRSA and a Master Trust / company pension at the same time?

No. To get tax relief the employee would have to contribute to a PRSA AVC.

Retirement

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The client can always take a 25% retirement lump sum from a PRSA. The PRSA lump sum will not be reduced by any company pension retirement lump sum.

However, where there is a company pension and PRSA for the same employment the company pension salary and service lump sum will be reduced by the PRSA lump sum.

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