

DEFINED CONTRIBUTION PENSIONS

**ESSENTIAL GUIDELINES FOR EMPLOYERS,
TRUSTEES AND MEMBERS**



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Defined Contribution (DC) pension arrangements form a substantial part of the retirement savings in Ireland with approximately €40 billion in invested assets and nearly 275,000 active members.

The IAPF believe that the key issues which face DC members centre engaging all stakeholders to understand the need to save for their future and to support individuals to adequately provide for their retirement.

The purpose of this document to provide guidelines to the key stakeholders to help them fulfil their roles and responsibilities in relation to their DC plans. An overview of the importance of understanding the interaction of contribution levels, investment returns and benefit conversion rates at retirement on DC retirement outcomes is also provided for each party.

**The document is split into THREE SECTIONS
depending on your relationship with the DC plan:**

1

The Employer



2

The Trustees



3

The Member



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The Employer

The purpose of this section to provide you, the employer, with:

- Guidelines to help you fulfil your role and responsibility to engage with members about their DC plan
- An overview of the importance in communicating the interaction of contribution levels, investment returns and benefit conversion rates at retirement on DC retirement outcomes

EMPLOYER GUIDELINES

- Determine the objective, purpose and strategy for the DC plan (i.e. why do you have the DC plan in place).
- Ensure that Trustees are given time off for Trustee training, preparing and attending meetings.
- In order to ensure a high participation rate, consider the design of the DC plan to encourage employees to be a member of the DC Plan.
- Put controls in place to ensure that the correct employees and employer contributions are paid over to the administrator on time each month and signed off by the Payroll manager each year.
- Meet with the Trustees once to year to get an overview of the Plan and get feedback from them. Let the Trustees know how important their role is and you appreciate the work they do as Trustees.
- Work with Trustees to ensure that the communication to members is simple, clear and easy to understand.
- Allocate a reasonable budget as agreed with Trustees for communications each year.
- Encourage members to attend any pension briefing.
- Facilitate members to pay Additional Voluntary Contributions (AVCs).
- Facilitate and subsidise members receiving one to one Financial Advice every 10 years and at least in the period 10 years from retirement.
- Promote the DC Pension to members and have it as part of new employee induction.

- Ensure the normal employees and employer contribution is set at a reasonable rate that the member can expect a reasonable outcome. Employer may want to decide what that outcome is, is it 20% or 30% of final salary and to review member likely outcomes every five year to see if the outcomes are still on track. If not, look for members to put in extra contribution or low expectations.
- Work with Trustees to ensure that they draw members attention to their likely retirement benefits so that the members can take action if they so wish.
- Run Retirement workshops for staff within 4 years of retirement which contains a session on member's options when they get to retirement.

EMPLOYER COMMUNICATION ESSENTIALS

Employers generally get tax relief on contributions they make to a pension arrangement. The treatment of employer contributions for tax purposes depends on the type of arrangement. Employer contributions to pension arrangements are fully deductible for corporation tax purposes up to certain limits .

Contributions from employees and employers to DC plans provide members with a degree of income security in retirement with financial benefits in addition to State benefits. Given the amount of commitment and financial investment which many employers provide, it is important that participation in the pension plan is fully availed of and appreciated by employees so that retirement objectives are achieved.

There are various methods which the employer can consider putting in place to best achieve these objectives, ranging from regularly surveying the needs of its workforce to pro-actively providing targeted pensions literature or advice.

Communication and education to employees on the advantages of saving for retirement will go a long way to facilitate employees retiring on a level of income which they can and will appreciate. This also protects the employer from potential employee complaints due to inadequate provision of information on the pension plan, particularly in cases where the members' ultimate pension is significantly lower than expected.

1. Generally, contributions paid by employers to occupational pension schemes are not treated as a benefit-in-kind and can be paid in addition to the contribution limits for employee contributions. Contributions paid by employers to personal pensions and PRSAs are treated as a benefit-in-kind. Income tax relief is provided subject to the overall contribution limits for employee contributions. There is no relief against the Universal Social Charge (USC) and PRSI on employee and employer contributions into a PRSA.



The level of communication any employer and Trustee group conduct will be driven by key legal requirements, available budget and appetite of members to actively engage in their retirement planning

Some forms of communication can cost very little but result in a large benefit and effect for members

Frequently the most effective way is for employer and Trustee groups to partner together to provide a consolidated and consistent communication strategy to support member needs.

In a quality plan, the employer should aim to work with the Trustees to do the following:

- Ensure that plan communication is accurate, clear, understandable and engaging and it addresses the needs of members from joining to retirement
- Ensure that members are made aware of their current investment strategy and what this means for them

- Ensure that members are regularly informed that their level of contributions is a key factor in determining the overall size of their pension fund
- Ensure that all costs and charges borne by members are clearly disclosed to members
- Clearly communicate to members the options available at retirement in a way which supports them in choosing the option most appropriate to their circumstances.

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Employers and Trustees Should Consider the following forms of communication and agree what suits their plan.

Form of Communication	Target Membership	Purpose
Members Booklets (In simple language with illustrations, online and hard copy)	All Members	Explain to members how the plan works and investment options
Induction of new staff (as part of the company's induction programme)	New Members	Overview of the plan, options and support new members to make contribution and investment choices
Members presentation (Annually/bi-annual)	All Members	Overview of plan and how investments are performing
Personalised Newsletter (Bi-annually, send via e-mail, 1-2 pages maximum)	All Members	Targeted message to members based on their age profile
Financial Advice – one to one funded /part funded by employer	Members over 50 years of age / over 10 years' service with the Company	Allow them to have specific focus on their retirement planning and Annuity/ARF options
Pension Advice – one to one. Provided by administrator	All members every 5 years	Explain to members how the plan works and investment options
Lunch and learns	All Members	Give members information on the pension plan and structure in an informal environment
Website and Online Access – Also Targeted Intranet Site	All members including Deferred members	Allows Members to keep up to date with their investments
Mobile Apps	All Members	Allows Members to keep up to date with their investments
Part of regular Team briefing	All Members	To explain how the plan works to a smaller group to facilitate general discussion and questions
Experts and Champions	All Members	Designate experts and champions who work to encourage members and employees to engage in plan
Members Survey (between 6-10 questions). Prize for members who complete the survey and include results in newsletter.	All Members/members who have completed the Financial /Pension one to one.	To get feedback from members how they view the plan and opportunity to provide feedback