

Transfer of Occupational Pension Benefits into PRSA Contracts



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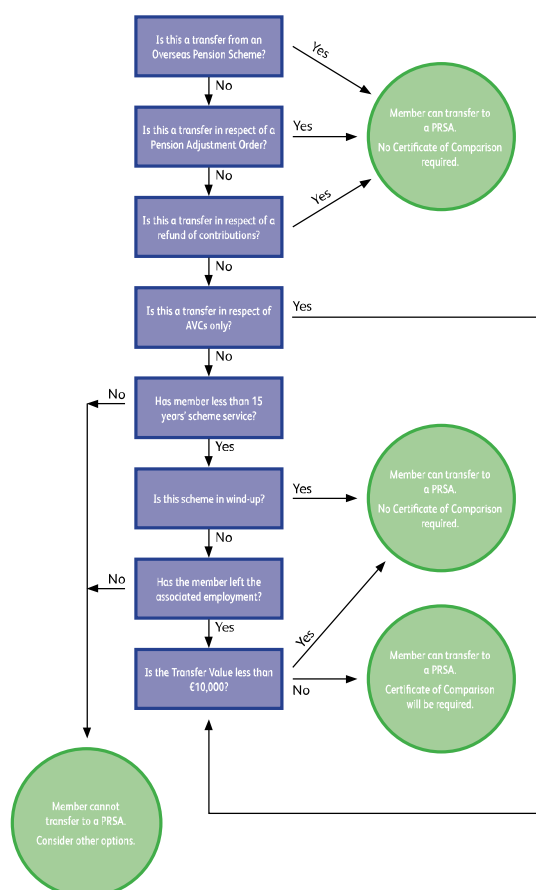
There has been an increase in transfers from Occupational Pension Schemes (OPS) to PRSAs in the last twelve months, often driven by scheme wind ups and 'ETV offers' to Defined Benefit members. Other transfers are in respect of members availing of improved pricing and investment options for their AVCs, particularly in the case of the Public Sector, where existing AVC contracts can be poor value.

There are certain criteria that need to be met before a member can transfer their benefits from an OPS to a PRSA. Brokers will need to take care to guide their clients carefully through what is a complicated process. In some situations Brokers will need to arrange for a Certificate of Benefits Comparison and Written Statement (COBC & WS) to be prepared to complete the transfer.

This article outlines some of the considerations for Brokers involved in arranging such transfers and the requirements around the COBC & WS.

When can I transfer benefits from an OPS to a PRSA? — The flow chart will allow you to determine whether a transfer can be made.

PRSA TRANSFER FLOW CHART Can I transfer my pension to a PRSA?



What if a member can't transfer directly into a PRSA: are there other ways of accessing a PRSA? — Where a member cannot access a PRSA directly, they could consider routing their transfer through another OPS, and subsequently transferring the benefits from the second scheme to a PRSA.

In this regard, it should be noted that members can transfer benefits into another OPS even if they are a deferred member of that scheme. Transferring benefits from one OPS to another should enable members to access a PRSA from there.

Are there different rules for Defined Benefit and Defined Contribution Schemes? — No. The criteria with regard to transfers do not distinguish between DB and DC schemes.

Why do I need a COBC & WS? — The Pensions Act introduced the requirement, and PRSA providers cannot accept a transfer where a COBC & WS has not been provided.

Who can prepare a COBC & WS? — A qualified actuary must prepare a COBC & WS and they must have the appropriate level of professional indemnity insurance (€1 million per claim), as set out in legislation.

How long will it take to prepare a COBC & WS? — It will generally take approximately two weeks to prepare, but can be prepared more quickly if there is a particular urgency.

What information does a COBC & WS contain? — The COBC compares the benefits that the member might receive in the OPS with the benefits under the PRSA. The WS outlines the advantages and disadvantages of transferring to a PRSA and includes a financial analysis and details on the benefit structure under the PRSA.

Who pays for the COBC & WS? — Generally the client will pay for the COBC & WS. The trustees of the OPS, the Broker or the PRSA provider could also agree to pay. It may be possible to use the proceeds of the transfer to pay for the COBC & WS. However this will require the agreement of the trustees, and payment would need to be arranged before the transfer value is paid to the PRSA.

What information do I need to provide to prepare a COBC & WS? — A recent benefit statement will contain most of the information. The actuary will look for information on the charges and fund options in the OPS and the PRSA. For DB schemes, the actuary will look for specific information on the rules and funding position of the OPS.

For further information or if you require a Certificate of Benefit Comparison and Written Statement prepared, please contact Fergus Collis, Lane Clark & Peacock Ireland Limited on (01) 614 4393 or fergus.collis@lcpireland.com.

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