Pensions | 2021

PENSION SUPPORT LINE

PENSION FROM A PREVIOUS EMPLOYMENT | DEFINED BENEFIT SCHEME

INTRODUCTION

COMPANY PENSIONS – DEFINED BENEFIT (DB)

Also referred to as 'final salary', a defined benefit (DB) is an occupational pension scheme that provides a set level of pension at retirement. This amount will depend on your years of service combined with your earnings.

DEFERRED MEMBER

Have you left or changed the employment form where you built up your pension pot? If this is the case, you are considered a deferred member of that pension scheme. As a deferred member, you may have the option of leaving your benefits in place until retirement or transferring benefits into a policy in your own name.

If you decide to accept a Transfer Value, there are some considerations that must be taken into account.

TRANSFER VALUES

Your DB scheme may potentially offer a Transfer Value. This means giving up your benefits in your DB arrangement in return for a single lump sum which can be transferred to a particular type of Defined Contribution arrangement.

It is worth noting, you should always seek professional advice before accepting a Transfer Value.

POTENTIAL ADVANTAGES OF REMAINING IN A DEFINED BENEFIT SCHEME.

- **Guaranteed income –** Remaining in the DB the scheme will give you a guaranteed income for life.
- **Fund management –** The scheme will be managed on your behalf meaning you do not have to worry about an investment strategy.
- **Fees/Charges –** You will not be liable to pay any costs towards the management of the scheme.
- **Transfer value –** Although not guaranteed, there is a possibility you may get offered a better transfer value in the future.

POTENTIAL ADVANTAGES OF **ACCEPTING A TRANSFER VALUE.**

- **Flexibility –** DB schemes have a lack of flexibility. Transferring the benefits into your own policy will allow for a wider fund choice.
- **Potential tax-free cash -** If compliant with scheme rules you may be eligible for a tax-free lump sum when transferring your benefits.
- **Inheritance -** Changes to legislation can potentially make it more attractive to have your pension benefits outside your existing DB scheme.
- **Solvency –** DB benefits are a promise, not a guarantee. There is a risk the employer funding the final salary pension may become insolvent.

CASE STUDY | SCENARIO 1

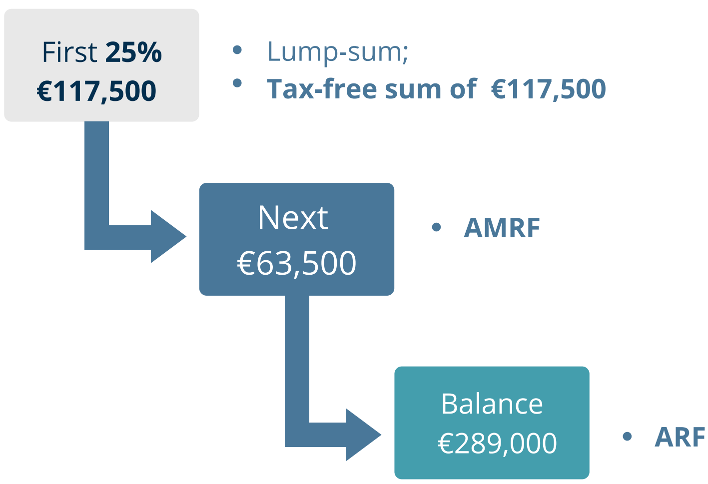
Name - Bernard

Age - 50

Total Fund Value - €470,000

Bernard worked for a large company that recently relocated meaning he changed employment.

After discussing his needs with his financial advisor, it was determined the best course of action for Bernard's situation would be to transfer his benefits to a **Buy-Out-Bond**.



This will give Bernard the opportunity to access **25%** of his fund **tax-free** as well as being in full control of how the remaining is invested. He has decided to go down the **AMRF/ARF route**.

It is worth noting, Bernard would also have the option of purchasing an **Annuity** with the remaining **75% rather than the AMRF/ARF option**.

Although they may be available, none of the above decisions should be taken lightly. You should also seek professional advice before transferring your pension.

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Pension Support Lines helps clients across Ireland assess their pension options.