



# Company pensions

A guide for SMEs and new  
businesses in Ireland

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## Introduction

Getting your pension offering right for management and staff can make a real difference, writes Ralph Benson.

Running a small or medium-sized business, or forming a new business in Ireland, means wearing a lot of hats.

The focus needs to be on business growth, product development, and smooth operations. When it comes to HR, keeping it simple and delivering benefits your team actually values is critical.

At the same time, a strong pension and benefits offering is a great way to recruit, reward and retain staff. Pensions can also enable owner-managers to extract value in a highly efficient manner. And if you set up your pension offering right, the administrative burden on the business can be minimized.

Happily, it has never been easier for SMEs and new businesses to put a compelling workplace benefits plan in place, whether you are starting from scratch, or want to improve on your existing offering. The purpose of this e-book is to explain how.

This e-book is divided into three parts, covering the three big questions you'll want to answer in order to get started with a company pension.

These questions are:

1.

How can a good pension plan enhance your business?

Here, we spell out the five key factors in choosing a pension plan for your business. If you're starting a new pension, this will help you define your requirements. And if you're wondering whether your existing scheme offers good value, this will help you decide.





## 2.

### What are your company pension options?

This section surveys the company pensions landscape in Ireland, and the main options for businesses when putting a pension benefits package in place. We'll also cover how pensions are invested and drawn down at retirement, and some special considerations for owner-managers and new businesses starting in Ireland.

## 3.

### Who will make it all happen?

Lastly, we explain who does what, and how to minimise the pensions admin burden on your business by using an advisor such as Moneycube.

Before we start, a health warning: nothing in this guide constitutes financial advice. It is designed to give you an overview of company pensions in Ireland as at July 2019. Every company's circumstances are different, and Moneycube will always provide advice specific to the situation.

When you're ready to discuss your company pension plans, we'd love to hear from you.

Best wishes,

Ralph Benson

Co-founder and head of financial advice

Moneycube



## About Moneycube

Moneycube is a leading provider of investment and pension advice in Ireland – online, by phone, and face-to-face.

Moneycube offers straight-talking, straight-forward advice on pension schemes to businesses, management teams, and employees.

Our focus is on enabling SMEs and new businesses to sort out workplace benefits with minimal fuss. From your new starters to your senior management, we can help you put a compelling offering in place.

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### What's coming up:

- 1: How can a good pension plan enhance your business?
- 2: What are your company pension and benefits options?
- 3: Who will make it happen?

Conclusion: Action time!



## Part 1: How can a good pension plan enhance your business?

From our work advising small and medium-sized businesses, new businesses, and company owners, we find five factors distinguish strong pension offerings.

# 1.

### Keep it simple

A company pension is something you want to set, and forget. So your pension provider needs to get the basics right, and work hard to minimise the impact on your business.

That means, for example: simple onboarding and offboarding processes, timely and accurate reporting to you, and no surprises.

# 2.

### Sell the sizzle to employees

Engaging employees with your pension and benefits offering is vital. Most staff know they should be doing something about retirement planning, saving tax, and taking advantage of what their employer can offer – but often don't know where to start.

Your pension provider should address this, so you don't have to. A plan to engage employees should be built into your approach to pensions – for example through a dedicated micro-website or online access to a live dashboard, lunch-and-learn sessions, or one-to-one discussions with new team members.



# 3.

## Company contribution

Most employers contribute to company pensions on a percentage of salary basis (often matching employee contributions, up to a certain limit).

Without a company contribution, it's hard to get a pension scheme off the ground. If you want the recruitment and retention benefits a company pension can bring, the company contribution rate is a major decision point.

Employer contributions to pensions are fully deductible for corporation tax purposes (up to certain limits).

# 4.

## Costs and performance

Pensions have moved on in the last few years. They're more flexible, cheaper and more transparent.

That means there's no reason to accept high costs, sustained weak investment performance, or, indeed, poor service and administration.

By running a slide rule over your company pension – with the help of an advisor like Moneycube – you can reduce or remove costs to the company, drive down charges to the employees, enhance benefits, reduce administration time, and improve customer service.

# 5.

## Bespoke arrangements for senior management and owners

Bespoke pension arrangements can be a great way to attract and retain senior managers in an SME setting. Retirement may not be too distant to these individuals – so a strong pension offering is highly valuable to them.

The Irish pensions system offers scope to construct highly tax-efficient rewards for individual staff members, over and above any wider company scheme.

If your pension advisor can get these five requirements right, you're well on the way to putting a great workplace benefits scheme in place for your business, and for your people.



## Part 2: What are your company pension and benefits options?

There are two main kinds of company pensions in Ireland: occupational pensions, and PRSAs. It's possible to put in place either, or both, as part of your company pension offering.

But is a PRSA or a company pension right for your business? Should you offer additional benefits? And how will your staff be supported? We'll help you weigh the pros and cons of each choice, so you can decide on what's right for your business.







## Occupational pensions

An occupational pension is a pension plan provided by a business for its employees. The employer must make a contribution to the plan, and of course employees can also contribute as well.

Occupational pensions are normally set up in trust for employees. The pension scheme trustees are responsible for the good governance of the pension plan. In the past, management did much of this work directly, but increasingly this is handled by specialist trustees, significantly easing the burden and risk to employers.

An occupational pension is a defined contribution plan. That means that while the amount of money paid in is clear, the value of the pension can go up as well as down, and is not guaranteed.

## PRSAs

A Personal Retirement Savings Account, or PRSA, is also a defined contribution plan. However, in this case, each employee directly owns their own pension plan, and the employer's main role is to facilitate access to the PRSA, and enable contributions through payroll. The employer is not required to contribute to a PRSA pension plan.

PRSAs come in two flavours: standard, and non-standard. The charges on standard PRSAs are capped, and they can only be invested in investment funds. Non-standard PRSAs can invest in a wider choice of assets, and the charges are not capped.



## Where is a company pension invested?

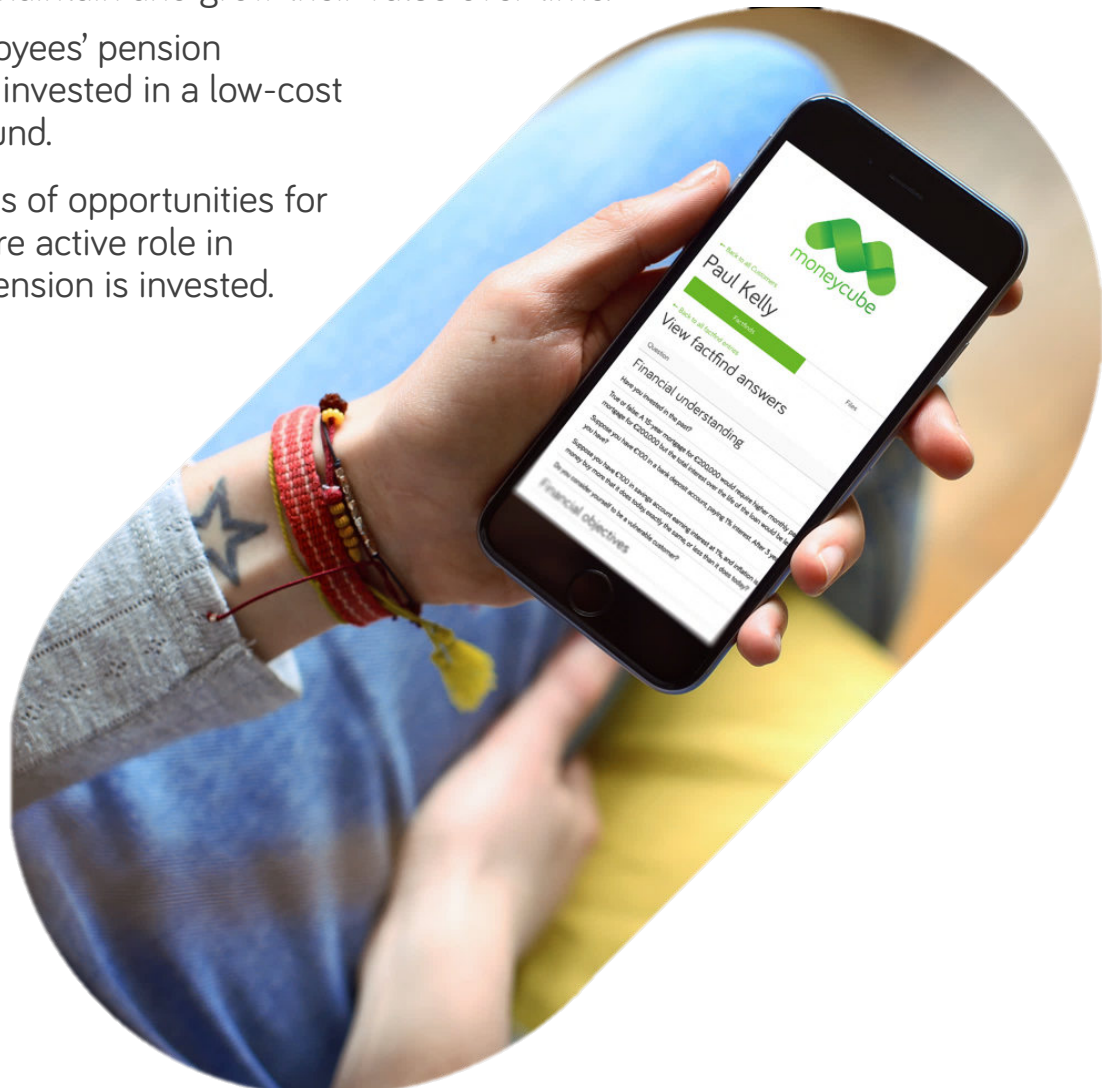
In Ireland, many pension funds are managed by an insurance company selected by the business, in conjunction with their financial advisor.

The insurance company provides access to a range of professionally managed investment funds. Employees' pension contributions are invested in shares, bonds and other assets to maintain and grow their value over time.

At its simplest, employees' pension contributions can be invested in a low-cost default investment fund.

But there are also lots of opportunities for staff who want a more active role in deciding how their pension is invested.

This can include investing in a wide range of funds, containing company shares from all regions of the world, to government bonds, commercial property, and commodities such as gold, or individual company shares chosen by the employee.





## Additional financial benefits

Many employers choose to add additional staff benefits alongside their company pension plan.

Chief among these are income protection, and death-in-service benefit.

### Income protection

Income protection pays an income to your staff if they become unable to work – for example through sickness, or injury – over a sustained period.

### Death in service benefit

Death in service benefit pays a lump sum – generally a multiple of salary – to the estate of staff if you are employed by a company at the time of death.

Adding these extras to workplace pensions and benefits package alongside a pension plan can be a very cost-effective way to boost your attractiveness to employees.

## Are pensions mandatory?

Right now, there's no obligation on employers to provide a pension, or to contribute to one.

However, if an employee cannot avail of a company pension plan, the business must provide access to at least one standard PRSA.

This may change in the future, as the Irish government has announced plans to introduce 'auto-enrolment' from 2022.

Under the proposals, employers would be required to enrol employees in a pension plan – if they don't already do so. Both employers and employees would make a contribution, unless the employer opted out.

If introduced, it's likely that auto-enrolment will be rolled out gradually, beginning with larger employers.



## Support for employees

A good financial advisor will also support your employees as part of their pension service. Some services you should also consider are:

### Financial advice for employees

Access to financial advice is a key benefit for many employees. It need not cover pension matters only. It can also cover life assurance, savings and investments, and estate planning.

### Advice at retirement

Retirement brings changes to your employee's finances.

There are important decisions to be made on how to draw down pension savings, and planning future income.

By working through these options with retiring employees, a financial advisor can help ease the transition from staff member to retiree, and reduce the burden the former employer.

At retirement, employees have a range of options on how to draw the benefits of their pension savings. Moneycube can help your staff work through these options and plan their retirement income.



## Special considerations for owner-managers

Company owners have a unique opportunity to extract value from their company using a pension scheme.

In general, there are age-related limits on how much income tax relief you can receive on pension contributions. For example, an employee in their 40s can save income tax for pension contributions of up to 25% of their salary, up to a salary of €115,000.

However, for senior management or owner directors, it's possible to set up dedicated 'executive pensions' and 'small self-administered pension schemes'.

These plans, typically offered for a handful of senior staff in a business, can offer much more investment choice, and scope to claim income tax relief on significantly higher contributions.

As part of your overall benefits plan, or simply as a way to extract shareholder value, it's worth taking advice on pension structures for owner-managers.

Company owners have a unique opportunity to extract value from their business using a pension scheme.



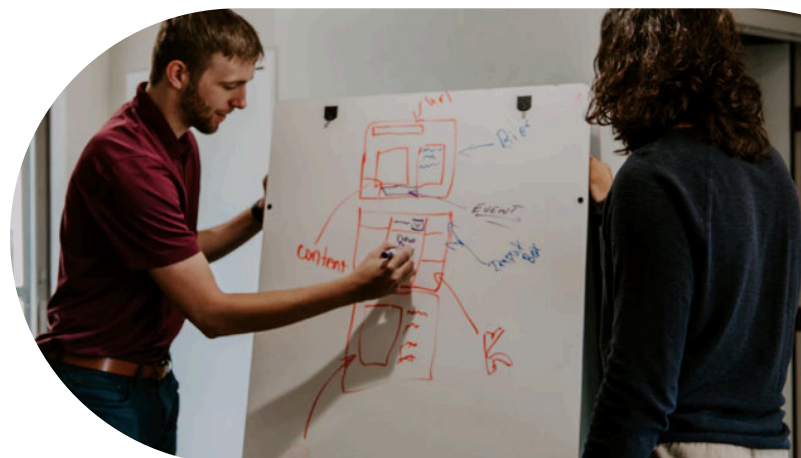
New and fast-growth businesses need an advisor who can scale with them as they grow.

## Pensions for new businesses and fast-growth situations

If your business is newly established in Ireland, or scaling quickly, there are some special considerations.

1. First, you'll want an independent source of business advice which is not tied to any single pension provider in the Irish market. Moneycube has relationships with multiple pension providers.
2. Second, you need an advisor who can scale with you as you grow, and move at the pace you require. From single-person schemes to handling multiple new hires, Moneycube can support you and your team as it grows.
3. And lastly, you'll want flexibility and responsiveness to make changes along the way, depending on the evolution of the business and the need to incentivise key people.

Moneycube's experience of fast-growth situations makes us ideally placed to design a pensions and benefits plan appropriate to the requirements of new and rapidly scaling businesses in Ireland.





## Part 2: Who will make it all happen?

A successful pension scheme needs the skills of several providers.

There's a pension provider, who supply the tax-compliant accounts needed to run the pension. There are fund managers, who invest the assets of the pension plan members. For many pensions, there's an external trustee, responsible for the good governance of the pension scheme.

Above all, there's a need for someone to put all this together, make sure all the parts are working, and that you as a business, and your employees as pension members, are getting the service they deserve.

That's Moneycube's specialty.

At Moneycube, we can ensure:

- ✓ Your company pension plan meets the five requirements explained in part 1 of this e-book.
- ✓ Your employees are supported properly in relation to their pension planning, and invested in appropriate assets.
- ✓ New joiners are smoothly brought on board.
- ✓ Departing employees are managed professionally and promptly, including transferring them out of the company plan if appropriate.
- ✓ Your business receives professional support in running its pensions arrangements in a compliant and efficient way.



## Changing your pension provider

Changing your pension provider is easier than you think. Whether it's to improve performance, price, service, or a combination of all three, Moneycube can help you plan and execute a pensions upgrade.

### Why review your company pension?

Many Irish businesses continue to operate with workplace pension schemes set up many years ago. That can mean you're not getting the benefits of what's available in the market today.

We can help you reduce or remove costs to the company, drive down charges to employees, enhance benefits, reduce admin, and improve customer service.

That's why it's almost always worth reviewing your company pension and benefits provision every few years.

We'll analyse your current pension and benefits, and benchmark it to current market standards.

At the end of our review, you'll be clear on whether you are getting good value from your current arrangements.

We'll spell out any benefits and cost savings available to you by updating your pension arrangements.

And we'll make clear the levers you can pull in order to gain these benefits.





## Making the change

If you choose to switch your pension advisor or pension provider, Moneycube will work to make that switch simple. Our approach has three strands:

- 1. Develop the plan**

Companies need clarity the steps being taken, timing, and any demand on internal resources before flicking the switch on a pension plan change.

We help you develop a no-surprises implementation plan to make your pensions upgrade go smoothly.
- 2. Dedicated switching team**

Once the change is underway, we secure dedicated resources at the pension provider to complete the move.

A single point of contact, face-to-face planning sessions, and a clear implementation plan means you'll be up and running quickly.
- 3. Communicate and engage with your employees**

For a workplace pension to be a success, your employees need to be clear on the benefits it brings.

Whether it's engaging with management, pension first-timers, or offsite staff, we work hard to connect with your people, provide them with the information they require, and help them get the most out of their pension arrangements.



## Conclusion: Action time!

Congratulations – you'll now have a good understanding of the world of company pensions in Ireland.

If you want to explore your options further, we would love to help.

There's almost certainly something about your company pension that we could help you improve.

Whether this is the start or the end of our financial journey together, we wish you every success in creating or improving your company pension and benefits package.

Best wishes,

The Moneycube team



Ready to discuss company pensions and benefits? We'd love to help.

Call us directly on **01 699 1110**. Email us at [hello@moneycube.ie](mailto:hello@moneycube.ie)

Visit our website at [www.moneycube.ie](http://www.moneycube.ie)