

Trustee training workbook

Your one-member Company Pension Scheme with Irish Life



Irish Life

Our guarantee to you

There is no financial jargon in this booklet and everything you need to know is written in an upfront and honest way. The paper in this booklet came from a managed forest



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Introduction

The purpose of this guide is to support you in understanding your duties as a trustee and also understanding how Irish Life supports you with these duties. But first, let's give some background on what a trustee is and what is expected of them.

All Company Pensions Schemes must be set up under trust with a trustee appointed to look after the assets for the benefit of the member (i.e. the employee).

The duties and responsibilities of trustees are set out under trust law, the Pensions Act 1990, and other relevant legislation and can vary depending on the size of the scheme. There are less duties for one-member occupational pension schemes than for larger schemes and, if the scheme is set up through an insurance company, **many of the trustee duties are carried out by the insurance company** in order to support the trustee.

Trustee training

From February 2010, employers who have set up a Company Pension Scheme must arrange training for the trustees of their pension scheme. This is to make sure that trustees understand their role and their pension scheme. For one-member

company pension schemes set up through Irish Life, the employer is usually appointed as trustee. This means that the employer, as trustee, must undergo trustee training and this includes all directors of the company. More information about when this has to be completed is explained on page 18.

What level of training is required?

Training is needed simply to help trustees understand their pension scheme and their role in the scheme. As such, the training is described as 'appropriate' training in the legislation. The Pensions Board's website includes a training course for trustees. It covers all types of schemes, both large and small and therefore some of the information is not relevant to one-member scheme trustees - the duties of a trustee of a one-member scheme are not the same as for larger schemes so you may prefer a training programme which focuses on one-member trustee responsibilities only.

This booklet has been designed by Irish Life to cover the duties and responsibilities of a trustee of an **Irish Life one-member company pension scheme** and we believe it is suitable for this level of trustee training.

More importantly, it also outlines where Irish Life might be able to help you meet your obligations.

When you and all the directors in your company have read and understood its contents, we'd suggest that you sign and date page 20 to show that you have done so. You should keep it safe in your files as evidence that you have completed a trustee training programme.



Irish Life has made every effort to ensure this booklet covers all your responsibilities and that it helps you fulfil your trustee training requirements.

Benefits of a one-member company pension scheme:

Most people intend to one day retire and stop working altogether. Therefore it makes sense to plan for retirement, and most people will want to supplement the state pension with an additional pension of their own. One-member company pension schemes allow employers to contribute generously towards pension benefits for their directors and key personnel in a very tax efficient way.

There are enormous benefits to taking out a company pension plan, such as

1 The very generous contribution limits for tax relief

For example, the Revenue Commissioners currently allow an employer and employee to claim tax relief on total contributions up to 76% of earnings towards a pension plan for a 40 year old married male employee planning to retire at age 65.

- Employees can claim income tax and PRSI relief on contributions to a pension scheme, within certain limits.
- Employers can claim corporation tax

relief on the contributions they make to an employee's pension, again within certain limits.

- Employers can claim PRSI relief on any employee contributions deducted directly from their gross salary.
- In addition, the employee does not have to pay benefit-in-kind on contributions by the employer.

These rates change depending on the age of the employee and whether they are married or not.

2 Tax free growth of the fund

In order to encourage people to pay into pension schemes, the State does not tax the growth in their fund.

3 A tax free lump sum at retirement

On retirement, part of the pension fund can be taken as a lump sum free of income tax. The lump sum could be up to one and a half times the employee's final salary (based on having 20 years service). Directors owning over 5% of

the company also have an option to take a quarter of the fund as a tax free lump sum.

have to be spread forward, depending on the amount. Employee contributions deducted from salary will receive immediate tax relief.

4 An income in retirement

With the rest of the fund, the employee can purchase a pension that will be payable for life. Other options may be available depending on the status of the employee.

Any pension benefits taken are treated as income so income tax will be deducted, along with any government levies payable at that time.

As with all investments, the final benefits available to the member will depend on a number of factors such as the contribution paid, investment growth and the fees and charges that apply to the plan.

Warning: The value of your investment may go down as well as up.

The tax information above is current at April 2010 and could change in the future. Employer regular contributions will receive tax relief in the year the contribution is made. Employer single contributions may

Information about trusts

What is a trust?

A trust is an arrangement where assets are controlled by a person (called a 'trustee') who has a duty to look after those assets for the benefit of the member and dependants (called the 'beneficiaries'). It is possible for the same person to be both a trustee and a member.

What is your pension trust?

For a company pension to be approved as a tax-free arrangement it must be set up in trust. Your one-member company pension scheme was set up in trust using a trust document, called a "Letter of Exchange", which was completed with your original application form. When this was done, you became a trustee for this scheme.

What are the benefits of a trust?

The main advantage of the trust is to make sure that the benefits of the pension plan are kept totally separate from the company and are kept safe for the member and their beneficiaries (the people who will benefit from the scheme).

A summary of your role as trustee

As a trustee, your role is to make sure the scheme meets the law and the scheme rules. However, you are not expected to be an expert on pensions and you are not expected to carry out the day-to-day administration of the scheme – this is normally left to us as your insurance plan provider.

You must act in the best interest of the member and beneficiaries (for example the member's spouse), act carefully and attentively, exercise care and utmost good faith in carrying out your duties, seek professional advice when needed, ensure all benefits are paid to the member and beneficiaries, and be aware of possible conflicts of interests.

You must make sure that any information you receive as trustee is treated in the strictest confidence and is used only for the purpose of the pension scheme. We issue scheme rules with each one-member scheme and you must always follow these.

If you act in a way that does not meet the scheme rules or trust law, or if you act without due care and attention or not in good faith, this is called a breach of trust and is a serious matter. However, as a trustee, you are assumed to have acted carefully and in good faith unless the opposite can be shown. Trust law protects trustees who carry out their duties and who act attentively and in good faith.

Who can't act as a trustee?

You can't act as trustee if:

- You are an undischarged bankrupt;
- You have made a composition (An agreement under which creditors accept a fractional payment of their claims as the final settlement) or arrangement with your creditors and have not discharged your obligations under that composition or arrangement;
- You have been convicted of an offence involving fraud or dishonesty; or
- You are a person who is restricted from becoming involved in the formation or promotion of a company for a period of time.

If any of the directors of the employer are prohibited from acting as trustee of the scheme due to any of the above then the employer is not permitted to act as trustee.

Overview and goals



At the end of this workbook, you should understand:

- ✔ What the role of trustee involves;
- ✔ What information needs to be given to members;
- ✔ What obligations you have about paying contributions to Irish Life;
- ✔ Your role in providing information about investment options and making investment decisions;
- ✔ Your responsibility in paying out benefits to members; and
- ✔ Your role in making sure that the pension is administered properly.

At the end of the workbook there is a recap of the main points which you should make sure that you understand.

1 Providing information to members

Your role as trustee

The trustee has to give the member certain information during the term of the scheme.

You must provide this information:

- When the scheme starts
- Every year
- When the member leaves employment
- When the member retires
- When the member dies
- When a "Pension Adjustment Order" is made (a Pension Adjustment Order is used to split the pension benefits between the member and their former spouse)
- When the scheme is wound-up (a scheme is wound-up if the employer decides that the scheme will end, or if the employer is wound-up, or taken over, and no one agrees to take over the pension scheme)

How Irish Life supports you

Irish Life produces the following information:

When the scheme starts:

Irish Life issues the scheme rules, product booklet, plan schedule and terms & conditions, to the trustee for the member. This is in line with the information required.

Every year:

Irish Life automatically sends you an annual benefit statement and a Statement of Reasonable Projection which you should give to the member.

It is important that you tell us when one of these events occur in order for us to support you by issuing the necessary information.

- When the member leaves employment
- When the member retires
- When the member dies
- When a "Pension Adjustment Order" is made; or
- When the scheme is wound-up.



Summary

You need to:

- ✓ Make sure that the member receives all documentation about their pension plan sent to you by Irish Life.
- ✓ Tell us when a member leaves employment, retires, dies or there is a pension adjustment order.
- ✓ Tell us if there is a decision to end (wind-up) the scheme. You must also tell us if the employer is to be wound-up, or is taken over.

2 Contributions

Your role as trustee

The trustee must ensure, as far as possible, that contributions are paid to the scheme when they are due.

Generally the employer has to make sure that their contributions are paid over to the trustee within 21 days of the end of the month in which they are due.

If contributions are taken from the employees' salaries, the employer must pay these over to the trustee within 21 days of the end of the month in which they have been deducted.

An employer who takes any money from the salary of an employee must give the employee and trustee a statement at least once a month confirming (for the previous month or since the last statement) -

- the amount taken from the employees salary and paid to the pension scheme, and
- the amount of the employer contribution paid to the pension scheme for the employee.

How Irish Life supports you

Where contributions are paid by Direct Debit:

Irish Life's contract is set up to take the total regular contributions directly from the employer's bank account. So as long as the contributions are in that bank account, we will take the total as they become due.

If for some reason contributions cannot be collected we will write to you to let you know

Where contributions are paid by cash yearly:

We will send a letter in advance of the due date to remind you of the agreed pension contribution. If we do not receive the contributions we will write to you after the due date to let you know Irish Life will invest contributions in the selected fund when we receive them.

Generally this requirement is met if the employer shows on the employee's payslip the total amount paid into the pension scheme by both the employer and employee.

Contributions continued...

Your role as trustee

All contributions to the scheme should be within certain limits set by the Revenue Commissioners.

How Irish Life supports you

We carry out a check to make sure that contributions are within the Revenue Commissioners limits when the scheme starts, when the contribution is increased or any one-off contributions are paid.



Summary

You need to:

- Pay the employers contributions to Irish Life within 21 days of the end of the month in which they become due.
- Pay the employees contributions to Irish Life within 21 days of the end of the month in which they were deducted.
- Show the employer and employee contributions paid into the scheme on a monthly payslip.

3 Investment information and decisions

Your investment duties as a trustee depend on whether your scheme rules allow your member to choose their own investments.

For Irish Life one-member schemes set up since 1 May 2007, the scheme rules allow for the member to choose where to invest the contributions.

For Irish Life one-member schemes set up before May 2007, the scheme rules allowed the trustee to make investment decisions.

However, in December 2007, an endorsement was issued to all trustees which would change the scheme rules to allow the member to decide where to invest.

However, the trustee must have agreed to this change. If you are not sure if you signed this endorsement, please contact us and we will let you know. If you did not sign the endorsement, but want to allow the member make the investment decision, then let us know and we can issue you a suitable endorsement.

(A) Scheme Rules which allow the member make the investment decision

Your role as trustee

You need to:

- Invest the assets under the scheme in line with the scheme rules. Please note that your scheme rules provide for investment in Irish Life plans only.
- Provide the member with sufficient information to help them to make their investment decision.
- Provide any information requested by the member in relation to their investment options as soon as possible.

If the member selects the investment option, it is very important that you record this decision and let us know.

If the member does not select the investment option, it is very important that you record this decision. As trustee you must choose the investment option and let us know.

How Irish Life supports you

The investment fund options for the plan are outlined in the product booklet.

If the member wants to get information about their investment, you can contact

- Irish Life directly – see the back cover for contact details
- Your Financial Adviser

or log onto Irish Life's website at www.irishlife.ie.

If you or the member need help making the investment decision, you should also talk to your Financial Adviser

We can only accept instruction from you, the trustee, as to how the scheme's assets will be invested.



Summary

You need to:

- ✔ Make sure that the member has sufficient information about the investment options available to them under the scheme.
- ✔ If the member asks for investment information you should make sure this is given to them as soon as possible.
- ✔ If the member has chosen a fund or funds themselves you must tell Irish Life which fund or funds have been chosen.
- ✔ If the member decides not to choose a fund or funds to invest in it is very important that you record this and choose the fund option yourself, as trustee. You must tell Irish Life of this decision.

Where the member makes an investment decision, your role is to make sure the member has the necessary information to make an informed decision. Remember that the amount of information a member needs to make an informed decision might be different from person to person. You are not expected to be an investment expert yourself. If you, or the member, have any concerns when making an investment decision then you should talk to your Financial Adviser.

(B) Scheme Rules which only allow the trustee make the investment decision

Your role as trustee

- You are required to make the investment decisions on behalf of the member. You need to tell us when this decision is made or if it changes.

You need to:

- Provide for the proper investment of the scheme's resources;
- Make sure that your investment decision takes account of the potential risk and potential return of the investment as a whole;
- Make sure that the scheme is invested mostly on regulated markets. Property is an example of an unregulated market and it is important to make sure that investment in property is below approximately 50% of the total value; and
- Make sure that the scheme investments are properly diversified.

How Irish Life supports you

We will accept instruction from you, the trustee, as to how the scheme's assets will be invested.

Irish Life issues scheme rules as part of your pension arrangement which provide for the scheme to be invested in an Irish Life pension plan. The investment fund options for your plan are outlined in your product booklet.

If you want to get more information about investment options and the risk level of each fund under the plan, you can contact

- Irish Life directly – see back cover for contact details
- Your Financial Adviser

or log onto Irish Life's website at www.irishlife.ie.

If you need help making the investment decision, you should also talk to your Financial Adviser.

You should contact Irish Life or your Financial Adviser if you are worried that the scheme does not currently meet these investment requirements, for example if more than 50% of the value is in property.

Making an appropriate investment for your employee can be a difficult decision, for example you need to consider how long the member has until they retire. You are not expected to be an investment expert and if you are making investment decisions, you should seek the advice of an investment professional. If you do not feel qualified to perform this role, it is possible to change the scheme rules to make it clear that the member can make the investment decisions if they want. You can contact Irish Life for advice on how to do this.



Summary

- ✔ You must make the investment decision yourself, as trustee. You must inform Irish Life of this decision.
- ✔ You must provide for proper investment of the scheme's assets, taking into account diversification, the percentage allowed in unregulated markets for example property, the potential risk and potential return of the plan as a whole.

Making an appropriate investment for your employee can be a difficult decision, for example you need to consider how long the member has until they retire. You are not expected to be an investment expert and if you are making investment decisions, you should seek the advice of an investment professional. If you do not feel qualified to perform this role, it is possible to change the scheme rules to make it clear that the member can make the investment decisions if they wish. You can contact Irish Life for advice on how to do this.

4 Making sure members receive benefits

Your role as trustee

The trustee must make arrangements for paying the benefits when they are due:

- When members retire
- When members leave employment
- When members die
- When the scheme winds up

If the member dies while in employment, it is up to the trustee to decide who the benefits should be paid to.

When making this decision you must act carefully and attentively, show care and utmost good faith, and be aware of possible conflicts of interests. You should look for professional advice where necessary.

You must also comply with the principle of equal pension treatment as set out in the Pensions Act.

continued

How Irish Life supports you

We will assist with the paying of benefits by informing you of the options available. For example, we will check that retirement benefits are within the limits that apply to pension benefit

So that we can provide the appropriate information, you must let us know when the member is due to retire, leave employment, when the scheme is to be wound-up or if the member dies.

Depending on the circumstances we may need further information from you before we can confirm the options that are available. For example, we may need to know the member's earnings and details of any other pension benefits that the member has.

Under our scheme rules it is up to the trustee to decide who should receive a lump sum benefit following the death of the member while in employment. This allows you to pay benefits in the way you decide is most appropriate based on the member's family circumstances.

continued

4 Making sure members receive benefits continued...

Your role as trustee (continued)

You must not discriminate between potential beneficiaries on any ground that would break the principle of equal treatment. For example, the trustees must not discriminate on the grounds of gender, nationality or religious beliefs.

The member may ask that the trustees pay the benefits to a particular individual in the event of their death. This is sometimes called a 'letter of wishes'. You do not have to follow a letter of wishes, but you can take it into consideration when making your decision. It might be sensible to ask members for a letter of wishes every now and then, and keep this on file.

How Irish Life supports you (continued)

Potential beneficiaries include:

- spouse
- children
- dependants
- a person (or people) entitled to any interest in the members assets under their will
- the member's estate
- a person named by the member in a letter of wishes



Summary

You need to:

- ✔ Tell us when a member leaves employment, retires or dies and provide us with any information we request to allow us ensure that benefits are paid.
- ✔ Act fairly and in good faith in distributing benefits if the member dies while in employment.

5 Making sure the scheme is administered properly

Your role as trustee

An employer who sets up a company pension scheme must arrange for the trustees of that scheme (i.e. you) to receive suitable training. If the scheme starts after 1 February 2010, you must complete trustee training within six months of the start of the scheme and every two years after. If the scheme started before 1 February 2010, you must complete trustee training by 1 February 2012 and every two years after that.

Up to date records must be kept about the scheme. The information should be correct and held securely.

The trustee must make sure that a registered administrator is appointed to provide the annual benefit statement to the member and keep correct and satisfactory records of members to allow them do this.

The trustee must register the scheme with the Pensions Board and pay the prescribed annual fee when required.

Where a trustee has reasonable cause to believe that a theft of assets or a fraud has happened, or will be attempted, you need to report this to the Pensions Board in writing as soon as possible.

How Irish Life supports you

This booklet explains your duties as a trustee of a one-member company scheme with Irish Life.

We will keep records of each member and all contributions received and benefits paid and retain the information securely. This is based on the information you give us. You need to contact us if this information changes.

Because you set up your scheme with Irish Life, Irish Life will act as registered administrator to provide the annual benefit statement.

Irish Life registers the scheme with the Pensions Board when the scheme is set up and takes the fee from your plan and pays it to the Pensions Board on your behalf.

Irish Life cannot take on this responsibility. Irish Life will only pay benefits that are allowed under the scheme rules and legislation. We will only pay out funds from the scheme to provide benefits in line with your instructions.



Summary

You need to:

- ✓ Do training such as this every two years.
- ✓ Report any suspected fraud to the Pensions Board.

6 Overview of key responsibilities

We've designed this booklet to cover your responsibilities as trustees and where Irish Life and your Financial Adviser can support you. Here is an overview of the key things you need to do as a trustee. On page 20 we list some additional support that is available to you if you need more help.

You need to

- ✓ Make sure that the member receives all documents sent to you by Irish Life about their pension plan.
- ✓ Tell us when a member leaves employment, retires, dies or there is a pension adjustment order and provide us with any information we request to allow us ensure that benefits are paid.
- ✓ Tell us if there is a decision to end (wind-up) the scheme. You must also tell us if the employer is to be wound-up, or is taken over.
- ✓ Send on the contribution within 21 days of the end of the month in which you deducted the contribution.
- ✓ Pay Irish Life the full amount taken, plus any employer contribution.
- ✓ Show the amount taken and the employer contribution on the monthly payslip.
- ✓ Act fairly and in good faith in paying out benefits if the member dies while in employment.
- ✓ Do training like this every two years.
- ✓ Report any suspected fraud to the Pensions Board.

Schemes where the member can make the investment decision

- ✓ You need to make sure that the member received the copy of the Fund Guide that outlines all of the fund choice available. The member should also be given access to the information available on www.irishlife.ie.
- ✓ If the member asks for investment information you should make sure this is given as soon as possible.
- ✓ If the member has chosen a fund or funds themselves to invest their contributions then you must tell Irish Life which fund or funds have been chosen.
- ✓ If the member does not choose a fund themselves, then you must make the investment decision and tell Irish Life which fund or funds have been chosen.

Schemes where the trustee makes the investment decision

- ✓ You need to make the investment decision and tell Irish Life which fund or funds have been chosen.



As a trustee, you are not expected to have expert knowledge of the complex aspects of running a pension scheme. That is why Irish Life and your Financial Adviser are there to help you. However, you should be aware that legislation is in place, and if necessary you should seek professional advice on any matters which you do not understand.

Further help

Additional support is available from the Pensions Board. In particular their Trustee Handbook provides detailed information on your duties as a trustee. The Pensions Board has also published a number of booklets which are available on the Board's website. For example, one booklet called "So You're a Pension Scheme Trustee?" is a useful starting point for newly appointed trustees.

If there are any matters that you need further help with then you should contact your Financial Adviser or Irish Life.

Trustee Declaration

We have read and understood the contents of this booklet:

Signature

Name of Director

Date

| | | |
|----------------------|----------------------|----------------------|
| <input type="text"/> | <input type="text"/> | <input type="text"/> |
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Well done! You should now know what you need to know about the role of the trustee for your scheme. If you need more information, some suggestions are above in the Further help section.

- Please keep this guide in a safe place.
- Please note this training must be completed every 2 years.
- It might be useful to record this training in the minutes of any board meeting.

Contact us

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8am to 8pm Monday to Thursday

10am to 6pm on Fridays

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For more info: www.pefc.org

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