

- The SFT of €2.3m at 7 December 2010 applies to retirement savings from all sources (defined benefit, defined contribution, additional voluntary contributions, personal pensions etc). Consideration should be given to excluding pension benefits that may be exempted (e.g. State pensions)
- In assessing the value of a defined benefit pension, the amount of pension earned / accrued to 7 December is what is taken into account – not the prospective pension
- A factor of 20 applies to any defined benefit pension
- Consider how to value any 'term-related' investments e.g. guaranteed fixed term investments

Individual currently impacted



- Where the sum of pension benefits from all sources exceeded €2.3m at 7 December 2010 a PFT should have been applied for on or before 7 June 2011.
- The PFT is set as the value of all pension benefits (where these exceed €2.3m) on 7 December 2010

However the PFT cannot exceed €5.4m and there is currently no provision for indexation of either the SFT or PFT into the future
- For individuals above the SFT, consideration should be given to ceasing pension contributions, ceasing further pension accrual and reducing investment risk on all pension benefits.

This is because any additional pension benefits (over and above an individual's SFT/PFT) whether through funding or investment out-performance will be taxed at an effective rate of up to 69%
- Consider alternative remuneration strategies and subject to agreement with the employer and pension trustees on how an individual will save for retirement outside of pension arrangements.

Individual not currently impacted



Identify whether the individual could be impacted by the SFT in the future



- Consideration should be given to using a ready reckoner to assess whether a given combination of investment growth plus any additional pension contributions will bring the individual over the cap in the future, remembering to take account of pension from all sources
- For individuals that are close to the SFT, consideration should be given to reducing investment risk (employing a de-risked pension investment strategy – e.g. cash/bonds), with increasing urgency depending on how close one is to the SFT
- Consider whether each of employer and/or employee should cease funding
- If the individual is a member of a Defined Benefit scheme and likely to breach the cap, enquire about a 'restructured pension' which may help to keep the valuation within the limit
- If an individual has scope for significant funding, consider funding quickly and retiring early to prevent investment growth resulting in exceeding the SFT, subject to discussion with the corporate and pension trustees.

Pension SFT/PFT – other Employer-initiated actions

Identifying affected individuals

- Request that the pension scheme administrators write out to any individuals whose pension fund is in excess of the SFT

Enabling employees to self assess

- Consideration should be given to providing access to a ready reckoner for all employees so that they can monitor the value of their pension fund at any given time

Alternative remuneration strategies - considerations

- Consider alternative reward strategies with employees and how these will be structured
- Consider whether a common approach to all affected is adopted or assess each on a case by case basis?
- For cash compensation, consideration should be given to what method is used to calculate this
- If attempting to be 'cost neutral', in terms of cash and other compensation, this needs to be examined further to review the likely total costs (including tax) of alternative reward strategies
- For defined benefit schemes consider an exercise to restructure pensions of affected and potentially affected individuals.

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