



IAPF Welcomes Pension Rule Change

Many members of company share schemes can now increase their pension contributions as a result of a change in Revenue rules, following representations made by the Irish Association of Pension Funds (IAPF). The rule change affects those who receive company shares as a result of approved profit share schemes (APSS). Thousands of members across more than 400 schemes will be affected by the new rule.

In the past if someone participated in an employee share scheme, the value of shares provided by the employer and from employee contributions was excluded from remuneration for pension purposes. This reduced employees' ability to fund for their pension annually. In addition, the level of retirement benefits they could receive was significantly impacted.

"Depending on their age, people can contribute a certain proportion of their income to a pension scheme. As a result of this change the amounts allowed will be increased for many members of company share schemes," commented Paul Victory, Chairman, IAPF Revenue Liaison Committee.

In December 1999, following a decision of the Appeal Commissioners, Revenue allowed share rights under approved share schemes to be included for redundancy calculations (SCSB). However, this was not allowed for retirement benefits.

"Our view was that if it was allowed for redundancy purposes, it should also be allowed for retirement provision and we

welcome the fact that the Revenue has addressed this anomaly," added Mr Victory. "Adequacy of income in retirement is a key consideration for every individual and is one of the IAPF's primary objectives. It was our view that people should not have to choose between pension and shares but should be able to make adequate provision through both options."

Example

	Previous	Now
Total remuneration	40,000	40,000
Value of shares	5,000	0
Pensionable remuneration	35,000	40,000

Maximum annual contribution

at age 65 (40%)	14,000	16,000
Maximum pension (over 10 years service)	23,333	26,667
Maximum lump sum (over 20 years service)	52,500	60,000

Maximum Pension Contribution

Less than age 30:	15%	5,250	6,000
30 - 39	20%	7,000	8,000
40 - 49	25%	8,750	10,000
50 - 54	30%	10,500	12,000
55 - 59	35%	12,250	14,000
60 +	40%	14,000	16,000