

The end of Executive Pension Schemes in Ireland

by Holly Railes

A change to the way we plan for retirement has the potential to freeze small business owners out of the pensions market. Can anything be done? Let's find out more.



From July 1st 2022, the Pensions Authority has outlawed one-member schemes, also known as Executive Pension Schemes, traditionally popular with small business owners. This decision is predicted to cause a lot of upheaval in the Irish pensions industry and could lead to dire consequences, including job losses.

In this article, we'll look in more depth at Executive Pensions, what they are and why they're going. We'll also examine what may happen next.

What are Executive Pension Schemes?

Executive Pension Schemes are products that allow business owners to plan for retirement. They are trust-based, so members could take advantage of tax relief on a higher amount compared to standard company pension schemes. There is also more flexibility on how much members can contribute, which was popular because it allows for the ups and downs of running a business.

However, the Pensions Authority has called a halt to new Executive Pension schemes being made available, while existing scheme members can access some of these benefits until 2026. Trustees of Executive Pension Schemes issued after the July 1st deadline would be prosecuted.

Why are Executive Pension Schemes stopping?

The Pensions Authority is ending Executive Pension Schemes as part of implementing IORPS 2, an EU regulation designed to simplify compliance in the corporate pensions arena. IORPS 2 became law in April 2022.



While the news was not unexpected, many industry experts expected the Pensions Authority to exempt one-member schemes and allow a threshold of 100 members in line with some other EU countries. In addition, the Pensions Authority did not explain why they chose to end Executive Pensions altogether, rather than add some simple protections, such as trustee services and audited accounts.

What's the impact of this decision?

It's fair to say that the pensions industry has not reacted in favour of the Pensions Authority's decision. In the run-up to the decision, the industry shared with the Authority and the Government its concerns around ending Executive Pensions, including that small business owners could be left unable to plan for retirement properly. Unfortunately, these concerns were not heeded.

As a result of the new ruling, many pension providers have made their Executive Pension products unavailable to new customers. Experts fear that if similar products are not made accessible by the Pensions Authority, it could lead to significant job losses in the pensions industry, as there will be no use for Executive Pension Scheme expertise.

Alternatives to Executive Pension Schemes

The problem for small business owners is that there is nothing out there which allows them the same kind of flexibility with their pension that Executive Pension Schemes did. For example, a business owner could take out a Personal Retirement Savings Account (PRSA), but the PRSA does not allow you to make single contributions during a good year to compensate for lower contributions in previous, more challenging years.

What's needed is a PRSA with added flexibility to level the playing field for small business owners who take risks to build their businesses and employ others. Unfortunately, at the time of writing, there's no sign of a flexible replacement for the Executive Pension Scheme being announced. We hope the industry and the Authority can reach a reasonable solution soon.



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