

Deferral of Annuity Purchase (Revenue e-Brief No. 65/2008)

Pensions Manual - Appendix IV

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This document should be read in conjunction with section 772(3a)(ab) of the TCA 1997 and [Chapter 23](#), paragraph 3, of the Pensions Manual.

eBrief dated 22 December 2008

Deferral of Annuity Purchase

Following on the recent announcement by Mr. Brian Lenihan T.D., Minister for Finance, of an option for members of Defined Contribution occupational pension schemes to defer the purchase of an annuity at the point of retirement, the Revenue Commissioners have recently advised the pensions industry representative bodies of the administrative arrangements governing the new measure.

You can read below the relevant Revenue Circular, which incorporates a copy of the Minister's Press Statement.

The Pensions Board has also recently issued guidance on the new option. This is available on the Pensions Board website under the [Regulation and Compliance/Guidance section](#).

Members of Defined Contribution occupational pension schemes who are considering availing of the deferred purchase option should contact their scheme trustee/s in the first instance in relation to the concession and any queries they might have.

Practitioner enquiries in relation to the operation of the concession should be addressed to Revenue's Financial Services (Pensions) Business Unit. Tel. 6470710 (note change of Phone No.) or email: lcdretirebens@revenue.ie.

Deferral of Annuity Purchase.

The text of a Press Release issued by the Minister for Finance on 4 December 2008 is as follows:

Minister for Finance announces option for members of Defined Contribution occupational pension schemes to defer annuity purchase

The Minister for Finance, Mr. Brian Lenihan T.D., today announced that he is to provide an option for members of Defined Contribution occupational pension schemes to defer the purchase of a retirement annuity with their pension funds for a specified two year period. Under current arrangements, members of Defined Contribution occupational pension schemes are, in general, obliged to purchase an annuity immediately on retirement with the remainder of their pension fund after taking their tax-free lump sum.

The Minister said "I am conscious of the difficulties facing many members of Defined Contribution schemes who are retiring at the present time and whose pension funds have been very badly affected by the falls in equity markets and the more general falls in asset values over the recent past. I propose to remove the obligation on those individuals to purchase an annuity immediately on retirement and to give them the breathing space to make a choice on when to purchase the annuity.

I should stress that in giving individuals the option to purchase the annuity immediately or within the two year deferral period, there is no guarantee that they will get better value if they postpone the decision to purchase to a later date. Those individuals who are retiring now or approaching retirement should take this into account. In this regard and as part of this initiative, the Pensions Board will publish appropriate risk guidance in this matter in the near future".

Under the deferral arrangement, which will be operated on an administrative basis by the Revenue Commissioners, members of defined contribution occupational pension plans who retire in the period from 4 December 2008 to 31 December 2010 will have the option of taking their tax-free lump sum and purchasing a retirement annuity immediately on retirement or to take the lump sum and defer the purchase, subject to agreement with their scheme trustee, up to and including 31 December 2010 by which date the concession of an option will end.

The Revenue Commissioners are finalising the detailed arrangements of this initiative with the pensions industry.

The purpose of this Revenue Circular is to advise Pension Providers as to how the scheme will operate.

1. The deferral period will operate from 4 December 2008 until 31 December 2010. All individuals who choose the deferral option must purchase an annuity on or before 31/12/2010, regardless of their date of retirement.
2. The concession does not apply to holders of a Retirement Annuity Contract, a Personal Retirement Savings Account or to proprietary directors who qualify for ARF options.
3. An individual who wishes to exercise an ARF option in respect of AVCs should do so on or before the date of annuity purchase.

4. Prior to taking a tax-free lump sum, the individual must opt for a specific type of annuity. This option may be altered at any time during the deferral period.
5. Prior to availing of the purchase deferral option, the individual should consider taking appropriate professional advice. Any Guidance Notes issued by the Pensions Board must be complied with.
6. Any alteration to scheme deeds, rules and/or policy conditions to reflect the deferred annuity option will not impact on the existing Revenue approval of the scheme/arrangement.
7. The concession is entirely optional and can only take place with the agreement of the scheme trustees and the member.
8. In the event of the death of the member prior to annuity purchase, the deferred annuity purchase option may be offered to a spouse and/or a dependent. In the event of there being no dependents the value of the deceased member's fund will form part of his/her estate.

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