

Max Funding

PRSA and Master Trust Comparisons



Introduction



Key features of the Max Funding Calculator

The Max Funding Calculator displays five options for customers:

A. Ordinary annual contribution - these are maximum ongoing contributions until retirement, assuming no special contribution is paid.

B. Special contribution for past service - these show the maximum special contribution that can be made now, allowing for past service. It also shows the maximum ongoing contributions that can be made thereafter until retirement.

C. Matching ordinary annual contribution and special contributions - these show the maximum amount that can be invested on a one-off basis, where there is a matching maximum contribution on an ongoing basis.

D. Special lump sum contribution - these show the maximum ongoing contribution, allowing for a special contribution now.



Master Trust vs PRSA Comparison

Compare the maximum contributions that can be made into a Master Trust (including any employee contributions, if applicable) with the maximum employer contributions to a PRSA (which can be up to 100% of the employee's salary).



Client Details

The information required is outlined below. It is important that this information is accurate and up to date.



Personal Details

These include the Member's Age, Gender, Marital Status and Normal Retirement Age (NRA) (between age 60 – 70) which are all factors that will impact the ability to contribute to the occupational pension.



Employment Details

Gross Earnings: This is the salary and other Schedule E emoluments (e.g bonus, benefits in kind etc) paid to the employee in the relevant year in which the pension funding is taking place.

These gross earnings can exceed €115,000 for this calculation, as earnings in the context of a maximum funding calculation are not capped at €115,000, as would be the case where you are looking at the ability to claim tax relief on a personal basis.

Date of Joining Service: This is the date that the client was registered as an employee and started receiving a Salary.*

* Please note that the calculation assumes continuous salaried service from the date of joining service that is provided until the date of calculation. However, if there were years where the employee did not receive a salary for the employment, then an allowance should be made for those missing years of service within the calculation. See an example below.

Example – Gaps in Schedule E Remuneration

John is a company director and started taking a salary from his company on the 1st June 2010. He has taken a salary from the company for every year since then, except for two years in 2018 and 2019 when no salary was paid to John. To ensure the funding calculations are accurate the client's date of joining service should be amended to 1st June 2012 to reflect the reduction in years of salaried service caused by not taking any salary in 2018 and 2019.



Pension Benefits from Current Employment

This section allows you to input the value of any benefits which the client may have in occupational pension schemes linked to this employment in either Defined Contribution or Defined Benefit arrangements. This would be the appropriate section to also include Personal Retirement Bonds (PRB) and Personal Retirement Savings Account Additional Voluntary Contributions (PRSA AVCs) linked to this employment.

For Defined Contribution Benefits: This is the current value of the pension benefits linked to this employment in the Zurich occupational pension scheme, any other occupational pension scheme with another provider and any PRBs or PRSA AVCs linked to the same employment.

The value of any pension lump sum paid or payable from a Defined Benefit Scheme could also be included in this section.

Note: The value of any benefits held in a PRSA (Non AVC) linked to this employment should not be included in this section as these benefits are defined as a Retained Benefits in Revenue Guidance.

For Defined Benefit pensions: the pension paid to the member at retirement or to be paid at a future date should be included under “Defined Benefit” (per annum).



Retained Benefits

This section includes benefits from both Defined Contribution and Defined Benefit Arrangements which have yet to come into payment and those from which a retirement claim has already been paid. See further details below.

For Defined Contribution arrangements: This would include pension benefits from a previous employment such as benefits in an Occupational Pension Scheme (Executive or Group) or PRB from previous employment.

This section should also include all PRSA (Non AVC) and Personal Pension arrangements (whether linked to previous or current employment).

The value of any pension lump sum paid from a Defined Benefit scheme from a previous employment could also be included in this section.

Where a retirement claim has already been paid from the relevant arrangement then the value of the Pension Lump Sum along with any amounts used to purchase an Approved Retirement Fund (ARF), Annuity or taken as Taxable Cash payments should be included in this section.

For Defined Benefit pensions: the pension paid to the member at the date of retirement or to be paid at a future date should be included under “Defined Benefit” (per annum).

Pension Benefits that can be excluded from this section include:

- UK Pension Benefits (assuming they were accrued whilst living and working in the UK) including those transferred to a Qualified Recognised Overseas Pension Scheme (QROPS) PRB in Ireland.
- Overseas Pension Benefits (assuming they were accrued whilst living and working abroad) including those transferred to a pension arrangement in Ireland.
- Refunds of Contributions.
- Benefits in an Occupational Pension Scheme or Personal Pension from a concurrent employment which is a separate employment or self employment which runs alongside the employment which is being pensioned.
- The current value of any ARF or Vested PRSA the client holds does not form part of the above limits however the value of the pension benefits in the relevant arrangement when the retirement claim was paid are relevant (see Retained Benefits above). This would include the value of the Pension lump sum paid along with any amounts used to purchase an ARF, Annuity or taken as taxable cash payments.



Contribution Types

Ordinary Annual Contributions

Ordinary Annual Contributions are forward looking – they cover the contributions that can be made to the scheme each year from now to retirement. It is important to note that the overall limit for Ordinary Annual Contributions, will include all regular Employer, Employee and AVCs that are being made to any occupational pension scheme or PRSA AVC linked to that employment.

An Employer may also use up their annual scope for an Ordinary Annual Contribution by way of a regular contribution (i.e monthly), a single premium contribution or a combination of both.

From an Employer's perspective, tax relief can always be attained on contributions they make in their accounting period where those contributions are denoted as Ordinary Annual Contributions.

Special Contributions

Special Contributions are backward looking – they can be used to backdate contributions for periods of salaried service which were previously not pensioned.

Tax relief on Special Contributions can also be attained in the year in which they are made if the Special Contribution is either equal to or less than the employer's Ordinary Annual Contributions. Tax relief on any Special Contributions more than the employer's Ordinary Annual Contributions will need to be spread forward to future company accounting periods up to a maximum of 5 years, however tax relief will be available in those future years.





Case Study 1: An example where a Master Trust allows for greater funding

Paula runs a successful I.T. Consultancy firm and in recent years she has built up a considerable pension fund in her Master Trust, and more recently, in a PRSA which she funded in 2023 and 2024. She wishes to continue pension funding via her company and wants advice as to continue funding via her PRSA or to switch back to the Master Trust given the changes in the pension funding rules in the last few years.

Paula has provided her financial advisor with her personal information as outlined below:

Name: Paula Stewart

Gender: Female

Age: 50

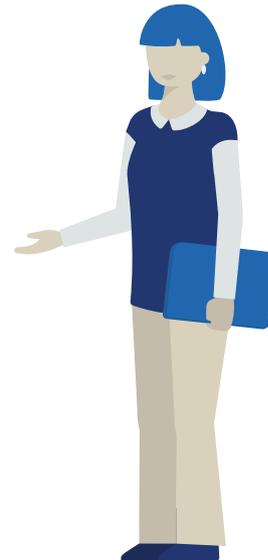
Marital Status: Married

Salary: €80,000

Service to date: 10 years and 6 months

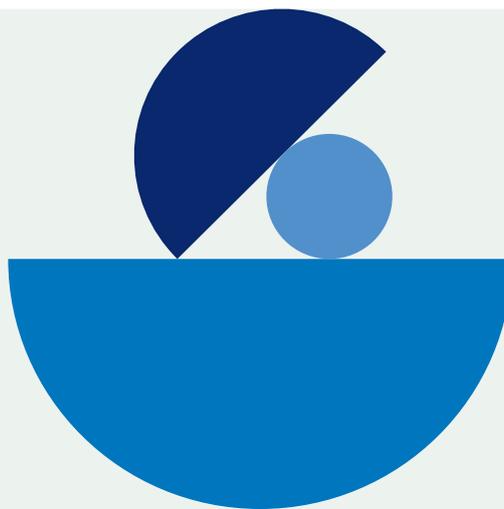
NRA: 60

Total service at NRA: 20 years



Existing Pension Details

	Defined Contribution (fund)	Defined Benefit (per annum)
Retained pension benefits	€500,000	€0
Current Employment	€200,000	€0



The Max Funding report shows the following options:

Maximum contribution comparison				
	Master Trust	Maximum employer contribution to PRSA	Maximum employee contribution to PRSA	Total PRSA
A. Ordinary contributions				
Annual contribution	€90,000	€80,000	€24,000	€104,000
B. Special contribution for past service				
Special contribution	€377,500	€0	€0	€0
Annual contribution	€52,250	€80,000	€24,000	€104,000
Total	€429,750	€80,000	€24,000	€104,000
C. Matching ordinary & special contributions				
Special contribution	€81,818	€0	€0	€0
Annual contribution	€81,818	€80,000	€24,000	€104,000
Total	€163,636	€80,000	€24,000	€104,000
D. Special lump sum contributions				
Special contribution	€0	€0	€0	€0
Annual contribution	€90,000	€80,000	€24,000	€104,000
Total	€90,000	€80,000	€24,000	€104,000

As you can see there is greater scope for Employer funding under a Master Trust under all options but in particular options B & C which allow the company to make special contributions in conjunction with ordinary annual contributions for Paula's benefit.

Paula is interested in option C where the company can make matching ordinary annual contributions and special contributions totalling €163,636 which can receive immediate tax relief for the employer. This is far more than what is possible under the 100% Employer Limits under the PRSA (€80,000).

Paula had previously been funding under a PRSA but it makes good sense for Paula to switch back to a Master Trust to take advantage of those more generous funding limits.



Case Study 2 – An example where a PRSA allows for greater funding

Mary has been employed in a successful family business for the last 10 years. She is now CEO of the company and receiving a high salary. Mary has built up a considerable pension fund already in her Master Trust due to generous employer contributions coupled with good fund performance. The company wishes to continue to pay into a pension. Mary and her employer want advice as to the best product to do that given the changes in pension funding rules in recent years.

Mary has provided her financial advisor with her personal information as outlined below:

Name: Mary Davis

Gender: Female

Age: 43

Marital Status: Married

Salary: €140,000

Service to date: 10 years and 6 months

NRA: 65

Total service at NRA: 32 years



Existing Pension Details

	Defined Contribution (fund)	Defined Benefit (per annum)
Retained pension benefits	€0	€0
Current Employment	€800,000	€0

The Max Funding report shows the following options:

Maximum contribution comparison				
A. Ordinary contributions	Master Trust	Maximum employer contribution to PRSA	Maximum employee contribution to PRSA	Total PRSA
Annual contribution	€73,515	€140,000	€28,750	€168,750
B. Special contribution for past service				
Special contribution	€0	€0	€0	€0
Annual contribution	€73,515	€140,000	€28,750	€168,750
Total	€73,515	€140,000	€28,750	€168,750
C. Matching ordinary & special contributions				
Special contribution	N/A	€0	€0	€0
Annual contribution	N/A	€140,000	€28,750	€168,750
Total	€0	€140,000	€28,750	€168,750
D. Special lump sum contributions				
Special contribution	€0	€0	€0	€0
Annual contribution	€73,515	€140,000	€28,750	€168,750
Total	€73,515	€140,000	€28,750	€168,750

As you can see there is no scope to make Special Contributions under the Master Trust (Options B & C) so the comparison here would be under Option A which compares the ability to make ordinary annual contributions under a Master Trust (€73,515) to the 100% employer limits under the PRSA (€140,000).

Based on this, it makes good sense for Mary to fund a PRSA going forward. An added bonus for Mary is that the employer contribution of €140,000 does not include employee contributions so Mary can also make personal contributions to the PRSA of up to €28,750 and receive tax relief!



Case Study 3 – An example where clients may wish to fund under both a Master Trust and a PRSA

John is a company director of his own successful business for the last 5 years. John has built up a reasonable pension fund already in his Master Trust and wants to increase his funding significantly in future years. John's goal this year is for the company to pay €150,000 into his pension and he wants advice as to how to go about this.

John has provided his financial advisor with his personal information as outlined below:

Name: John Roberts

Gender: Male

Age: 45

Marital Status: Married

Salary: €70,000

Service to date: 5 years and 6 months

NRA: 60

Total service at NRA: 20 years and 4 months

Existing Pension Details

	Defined Contribution (fund)	Defined Benefit (per annum)
Retained pension benefits	€0	€0
Current Employment	€400,000	€0



The Max Funding report shows the following options:

Maximum contribution comparison				
A. Ordinary contributions	Master Trust	Maximum employer contribution to PRSA	Maximum employee contribution to PRSA	Total PRSA
Annual contribution	€74,133	€70,000	€17,500	€87,500
B. Special contribution for past service				
Special contribution	€8,984	€0	€0	€0
Annual contribution	€73,534	€70,000	€17,500	€87,500
Total	€82,518	€70,000	€17,500	€87,500
C. Matching ordinary & special contributions				
Special contribution	N/A	€0	€0	€0
Annual contribution	N/A	€70,000	€17,500	€87,500
Total	€82,518	€70,000	€17,500	€87,500
D. Special lump sum contributions				
Special contribution	€0	€0	€0	€0
Annual contribution	€74,133	€70,000	€17,500	€87,500
Total	€74,133	€70,000	€17,500	€87,500

As you can see there is greater scope for funding under Option B via a Master Trust by a combination of ordinary annual contributions and a special contribution (€82,518) than the 100% Employer Limits under the PRSA (€70,000).

Based on this a Master Trust allows for greater funding and the client decides to put a Master Trust in place with a single contribution of €8,984 and ordinary annual contribution of €73,534 which they will pay monthly.

But an issue still exists as the goal for this year was to fund for €150,000. The clients enquire whether at company year-end could they pay the remaining €67,482 (€150,000 - €82,518 = €67,482) into a PRSA. The employer contribution is within the PRSA employer contribution of €70,000 so this can be paid into a PRSA in addition to the Master Trust funding that already took place that year.

An employer can contribute to both a Master Trust and a PRSA for an employee at the same time, but please be aware that:

- Employer contributions into the PRSA are subject to funding limits with contributions more than the “Employer Limit” creating tax issues for both employer and employee. Employer contributions to occupational pension schemes do not form part of that PRSA “Employer Limit” but are still subject to separate funding rules.
- Employer contributions to occupational pension schemes must either be allowable as ordinary annual or special contributions. These limits for an ordinary annual or special contribution include all employer, employee and AVCs made to occupational pension schemes or PRSA AVCs for that employment. The limits themselves do not include employer contributions to a PRSA as they are not seen as ordinary annual or special contributions.
- Finally please note that the funding of the PRSA in conjunction with a Master Trust will lead to the creation of a new pension benefit (the PRSA) which must be taken into account in funding calculations for the Master Trust as a Retained Benefit and therefore will impact the ability to fund in that Master Trust in future years.

Explanatory Notes

- These calculations are based on Zurich Life's current understanding of Revenue's maximum funding rules for occupational pension schemes.
- The report provided is for information purposes only and does not constitute financial advice. Zurich Life recommends that the report is reviewed in conjunction with a professional financial broker or advisor.
- Ultimately the accountant for the employer in question is responsible for filing tax returns on behalf of the company and will therefore determine what tax reliefs can be obtained by the company.
- All figures provided are based on information provided at input stage. Any incorrect information provided will result in incorrect results being produced in the report which in turn could result in adverse tax consequences for employers funding on that basis.
- This report does not allow for part-time or temporary employment.
- The report does not allow for the ability to fund using current annuity rates which is possible within 3 years of Normal Retirement Age.
- To ensure that the funding position for a member remains compliant, funding calculations should be reviewed at least on an annual basis to ensure that contribution levels are within allowable limits.
- Income Tax Relief for Employee Contributions and AVCs are subject to additional age related limits (more detail below).

Although Employee contributions and AVCs form part of the limits on total Ordinary Annual and Special Contributions to a pension scheme they are also subject to additional rules in relation to relief from income tax.

The maximum pension contribution for which an individual may claim tax relief cannot exceed the relevant age-related percentage of the individual's earnings in any year of assessment.

The age-related percentage limits are:	
Under 30 years	15%
30-39 years	20%
40-49 years	25%
50-54 years	30%
55-59 years	35%
60 years or over	40%

Earnings for the purpose of these limits are capped at €115,000.

Warning: The value of your investment may go down as well as up.
Warning: This product may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.
Warning: The income you earn from this investment may go down as well as up.



If you have further questions, please contact your Broker Consultant or the Technical Services team on 01 209 2020 or techsupport@zurich.com



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