cornmarket
group financial services ltd

Your AVC Scheme & Public Sector PRSA

Member Guide

www.cornmarket.ie

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: If you invest in this product you will not have any access to your money until you receive your Superannuation Benefits.

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How to set your AVC Plan?

There are 3 ways to set up an AVC:

Option 1	Over the phone with one of our Internal Consultants, call (01) 420 6751
Option 2	Make an appointment for a face to face consultation, at home or in your workplace anywhere in the country, call (01) 420 6752
Option 3	By downloading a 'No Advice' application form which can be found online at Cornmarket.ie

Existing Members

- To talk about your existing AVC, call (01) 408 4162
- If you are nearing retirement and need to speak with a Retirement Planning Consultant, call (01) 408 4025

This booklet can also be used by customers who have a Public Sector PRSA.

What is an AVC?

In a nutshell, an Additional Voluntary Contribution (AVC) Plan allows you to make additional contributions towards your retirement benefits. At retirement you're free, subject to the relevant Revenue rules, to use your AVC Investment Account to buy the retirement benefits you want. You must be a member of your employer's Superannuation Scheme to be eligible to join the AVC Plan.

How an AVC Plan works

Over the years prior to retirement, your AVC contributions which qualify for tax relief accumulate in your AVC Investment Account together with any returns made by the funds in which your contributions are invested. There is no requirement to pay tax on any returns earned on your investment.

At retirement, you can use the money in your AVC Investment Account to 'buy' whatever extra benefits you want subject to the overall limits imposed by the Revenue. This means the greater the size of your AVC Investment Account at retirement the greater the amount of benefits you will be able to buy.

You can enjoy substantial tax relief.

EXAMPLE

Your AVC Contribution:
(This figure appears on your payslip)
€100

–

Less tax relief at source*:
(Assuming 40%)
€40

=

Actual deduction:
(Once tax relief is applied)
€60

**If your contributions are not taken directly from salary then you will need to file a tax return to claim the tax relief.*

At retirement:**

- You may take part or all of the money in your AVC Investment Account as a tax-free lump sum
- You may be able to invest at retirement in an Approved Retirement Fund (ARF). ARFs offer a tax efficient way to invest during your retirement years. Withdrawals from an ARF are taxed at your marginal rate of income tax and are subject to USC and PRSI (if applicable)
- You may be able to take a taxable lump sum.

***Subject to Revenue limits*

Extra Benefits

Extra Benefits may include:

- An additional pension for you in retirement
- An additional pension for your dependants if you die after retirement†
- Buying 'missed years of service' through the Purchase of Notional Service (PNS) Scheme*
- An option to buy employer benefits e.g. repaying a marriage gratuity or paying an amount deducted from your gratuity or paying outstanding Spouses' and Children's Scheme contributions.*

**This option must be exercised prior to your retirement. †This benefit is not available to the Public Sector PRSA.*

Benefits for your family†

You can also use your AVC Plan to provide:

- A Death Benefit of up to 2 ½ times your annual salary
- An additional pension for your spouse and/or children at retirement

Alternatively, you can instead use the money which has been accumulating in your AVC Investment Account to invest in an Approved Retirement Fund (ARF).

If, at retirement you no longer have a spouse (or children under age 16 or 22 that are in full time education) the money you have accumulated for this purpose may be paid back to you as a lump sum less income tax, USC and PRSI.

†This benefit is not available to the Public Sector PRSA.

Why an AVC Plan may be right for you

No matter what stage of your career you've reached, an AVC Plan may make sense for you. In fact, like most Public Sector Employees, you're likely to find that an AVC Plan can help you enjoy a retirement free from financial worries - particularly if you fall into 1 or more of the following 3 categories:

1. You may have missed years of service

Public Sector employees have missed years of Superannuated Service for a variety of reasons. You may, for instance, have:

- Spent years out of the workplace raising a family
- Taken time off for further studies, specialist training, etc.
- Taken a career break
- Worked in a job-sharing/work-sharing/part-time post
- Left the public sector for a period and taken a refund of Superannuation contributions
- Started your career late
- Worked abroad for a period
- Worked in a non-Superannuated/non-pensionable post
- Lost Superannuation credit for years of service on being paid a marriage gratuity
- Worked in the private sector for a period.

2. You may wish to retire early

You may want to retire at some stage before the State Pension age. Currently this is 66. In 2021 this will raise to 67 and to 68 in 2028. If so, you could find that you haven't 'clocked up' the 40 years of Superannuated service you need to be eligible for the maximum benefits provided by the Superannuation Scheme.

The reality is that many employees who had hoped to retire early find that, when the time comes, they simply cannot afford to stop working.

3. You may wish to have greater financial freedom in retirement

Generous as the maximum Superannuation benefits are, even with full service you'll find that retirement brings a significant drop in income. This is because even employees who've clocked up full Superannuation benefits by retirement age will, at most, receive a pension of half their pensionable salary. Although this is generous in pension terms, the reality is that inevitably it may mean some belt tightening as you get used to living on half the income you had prior to retirement.

These days retirees usually go on to enjoy a lengthy, healthy, and active retirement. With this in mind, many are simply not willing to contemplate a major reduction in their income at retirement as they want to have the financial freedom to enjoy the rest of their lives to the full.

Setting up an AVC

Before you make any decision it is important that you talk to a Cornmarket Consultant either over the phone or one to one to assess whether an AVC is suitable for you. The suitability of an AVC is mainly dependant on when you wish to retire and the retirement benefits you will be in receipt of from your employer, as well as tax relief you may be entitled to on your contributions.

Your Consultant will complete the following to determine what the best option is for you.

STEP 1

Your Consultant will carry out a full review with you, analysing your various retirement options and helping you assess the number of years' service under the Superannuation Scheme you are likely to have by your retirement age, given your employment history to date.

This is done through a Financial Health Check, which assesses your overall financial situation so any decisions you make about your AVC can be set in the context of what you can and cannot afford.

STEP2

He or she will then calculate your shortfall in pension benefits at retirement and estimate whether you have the potential to increase your benefits.

This estimate will be made on the basis of certain assumptions such as:

- Your superannuated service
- Your salary
- Investment returns
- Salary rises
- Annuity rates (i.e. The cost of buying a pension at retirement).

Your potential to fund for these benefits are also dependant on the maximum limits Revenue have placed on your retirement benefits, which are usually higher than those allowed under the Superannuation Scheme. We explain this in further detail on page 9.

Taking all of this into account, your consultant will then advise you on the appropriate level of AVC contributions you need in order to fund for the benefit you want. Depending on your age, Revenue cap the amount you can contribute to your AVC. For more information, please see page 10.

STEP 3

Your Consultant will provide you with a report that details the potential benefits you can look forward to at retirement under your AVC Plan. In addition, your consultant will give you an overview of your other retirement planning options such as the Notional Service Purchase (NSP) Scheme and retirement savings options.

To set up your AVC over the phone, call
(01) 420 6751

To make an Appointment, call
(01) 420 6752

Assessing your potential for AVCs

To calculate how much you should invest in an AVC you must look at the shortfall between what you will receive under the Superannuation Scheme and the maximum benefits Revenue allows you overall in terms of your retirement benefits.

Under Revenue rules the maximum benefit payable to an employee at normal retirement age should not exceed a pension of 2/3rds of final salary. Public Sector Superannuation Schemes pay benefits in the form of a lump sum and a pension. These Schemes pay a maximum lump sum of 1½ times pensionable salary and a maximum pension of ½ pensionable salary. In most cases therefore the maximum Superannuation Scheme benefits are less than the maximum benefits permitted under Revenue rules.

Once your shortfall is assessed, it can then be determined how much you need to contribute to your AVC Plan over the years ahead in order to make sure that you will have accumulated enough in your AVC Investment Account by retirement to fund for the benefits you're entitled to fund for or to reach the maximum benefits Revenue allows.

When determining your maximum retirement benefits, Revenue includes your non-pensionable earnings such as overtime. The Superannuation Scheme does not take non-pensionable earnings into account.

Depending on your circumstances you may find that you can use your AVC Plan to fund for extra retirement benefits even if you have accrued 40 years or more of service under the Superannuation Scheme.

Important points to remember:

- You are not entitled to a pension and gratuity from your employer unless you have contributed to the Superannuation Scheme for at least two years.
- You will not qualify under the Superannuation Scheme for full gratuity and pension benefits at retirement if you have less than 40 years of Superannuated service by the time you retire.
- If you have less than 20 years actual service by the time you retire, the maximum gratuity allowed by the Revenue will be less than the usual 150% of final salary.

Please note: If you are a member of the Single Pension Scheme your retirement benefits are based on a career average of earnings. For more information on the retirement benefits for this Scheme, please call us on (01) 408 4162.

In short

If you have more than 9 years' service by the time you retire you may have both:

- ☑ The scope to join the AVC Scheme ***and***
- ☑ An opportunity to use your AVC Investment Account at retirement to provide a tax-free lump sum and possibly additional benefits too.

Because of the extremely favourable tax regime applying to pensions, Revenue has placed two limits on the amount you can contribute.

Pension contribution limits

1. Your contributions cannot exceed the estimated amount necessary to provide you with your maximum allowable entitlements at retirement age.

2. In addition, this overall contribution limit is calculated as a % of annual salary and takes into account contributions to all pension schemes you may be contributing to including:

   - Superannuation Scheme
   - Spouses' and Children's Scheme
   - Notional Service Purchase (NSP)
   - Contributions in respect of the purchase of Superannuation credit for temporary service
   - Other contributions you may be making to buy back any other service
   - Contributions to the AVC Scheme.

Max Contribution Amount		Typical max AVC contribution*	
Age	% of salary	For D1 PRSI**	For A1 PRSI**
<30	15%	8.5%	10%
30-39	20%	13.5%	15%
40-49	25%	18.5%	20%
50-54	30%	23.5%	25%
55-59	35%	28.5%	30%
>60	40%	33.5%	35%

The Pension Related Deduction (PRD) is not included in the overall contribution limit.

**The maximum % of salary contributable is dictated by the age you turn in that calendar year i.e. if you turn 40 in April you can contribute 25% with effect from January of that same year. Maximum income threshold for tax relief is €115,000.*

***These are typical amounts assuming that only Superannuation contributions are being made. You should check your actual maximum AVC level with your Cornmarket consultant.*

Lump sum contributions

In addition to making contributions to your AVC Plan on a regular basis through salary you may contribute to your by way of:

- A lump sum
- A series of lump sums.

Whichever way you choose to contribute to your AVC Plan, the amount of any lump sum contributions will be restricted by the normal Revenue maximum limits as far as the benefits you may fund for through your AVC Plan are concerned.

As far as tax relief is concerned, the normal limits on tax relief apply. In certain circumstances you may be able to spread tax relief on lump sum AVC contributions over more than one tax year (we recommend that you seek advice from your Cornmarket consultant on this area).

Is there any advantage in making a large lump sum contribution to an AVC Plan just before retirement?

In some cases, particularly where your entitlement to a gratuity under the Superannuation Scheme is likely to be less than the maximum allowed, this type of lump sum AVC can bring significant tax benefits. However, the rules in this area are complex and we recommend that you seek the expert advice of your Cornmarket consultant before making any decisions in this area. In addition to advising you on your eligibility to make such lump sum AVCs, your consultant can also advise you on the tax implications.

Investing your AVC

The greater the amount in your AVC Investment Account at retirement, the greater the amount of the retirement benefits you can buy. This means that maximising returns on the money in your AVC Investment Account is vital if you are to get the most from your AVC Plan. When it comes to investing your AVC contributions you have two options:

1. Avail of an investment strategy

Although there is a wide range of investment funds to choose from when joining the AVC Scheme, most members opt for an available investment strategy. For those who prefer to leave the decisions to the experts about where to invest their AVC contributions this is the ideal option.

The Investment Strategies aim to:

- Match your investment strategy to your own particular attitude to risk and reward
- Maximise the return on your investments given your risk/reward profile
- Remove the need for you to actively monitor and manage your investment in your AVC Plan.

2. Actively manage your own AVC investment choices

If you wish to take an active role in managing the investment of your AVCs you'll have plenty of options. It's important to remember that if you choose to actively manage your own AVC Investment Fund choices, all decisions about which funds your AVCs are invested in will be your responsibility. This means that it is especially vital that, as you approach retirement, you remain satisfied that your chosen funds are appropriate for your needs (consider switching to less risky funds to preserve the value of your Investment Account).

Understanding Risk and Reward

When investing, it's rarely possible to be sure about what returns you'll enjoy over the years ahead. This is especially so as there's usually a trade-off between risk and reward over a period of years. Investments in low risk funds, like capital protection, deposit and cash funds, normally give lower returns, whereas investments in funds with a higher level of risk like equity funds, usually give a higher return over the longer term. However, the value of investments in such higher risk funds tends to fluctuate far more over the years and there is risk of greater falls in value. That's the trade-off between risk and reward.

Before you decide which investment option suits you best, there are a number of issues you should keep in mind:

- The level of returns you want
- The possibility of fluctuations in the value of your investment over the years
- The level of risk involved to the money you have invested.

Examining how each fund matches up in these areas should help you determine which investment option is right for you.

The Returns

Some funds are more likely to produce higher returns than others. However because returns will depend on investment and economic conditions in the future, past performance may not be a reliable guide to future returns. A key issue is ensuring that over the long term you earn a 'real' rate of return i.e. that your returns at least match and hopefully exceed the rate of inflation.

The Volatility

Usually, the higher the potential investment returns the greater the risk of fluctuations in the value of your investment i.e. the greater the volatility. So, for instance, a great return one year could be followed by poor returns, perhaps even a fall in value, the following year. It is important to remember that the longer you leave your money invested, the more opportunity there is for your investment to ride out the ups and downs of the market and produce good returns over the lifetime of your investment.

The Risk

The general rule of thumb is that the higher the potential returns, the riskier the investment, i.e. the better the potential for high growth, the greater the risk that you may lose some or even all of your investment. Likewise, the lower the potential returns, the less likelihood there is of a substantial fall in the value of your investment.

Which investment approach is right for you?

To help you decide which investment philosophy is the closest match to your expectation for investment returns and your tolerance for risk, have a look at the three statements below and see which best applies to you.

Assessing your risk/reward profile

Cornmarket consultants use specially designed software which provides a detailed risk/reward analysis designed to determine your investment objectives and tolerance for risk.

The goal is to ensure that the investment strategy adopted by you most accurately reflects your risk/reward profile.

You are however free to choose whichever investment strategy you wish or to invest in one or more of the individual investment funds available.

1

CAUTIOUS

"Preserving the value of my contributions is important but I would like to see some modest growth on my investment and if possible match or even beat inflation. I understand that my returns will fluctuate from year to year and that I may have to accept returns which are at times less than inflation (or even negative) given the fact that there is a reduced risk of my savings falling in value. Nonetheless I accept that there is the possibility of some falls in the value of my contributions – perhaps even to levels below the original amount I have invested. I am happy to save regularly for a period of at least 5 years (ideally 7-10 years or more) as I appreciate that the longer I save, the greater the potential for modest returns over the lifetime of my AVC with less possibility of any of my investment being worth less than my contributions."*

If this is how you feel you should choose investment funds with a cautious approach or invest in a the cautious strategy. A cautious investment approach provides the potential for modest returns with a low to medium risk level.

2

BALANCED

"I would like to see a reasonable 'real' return, i.e. after inflation, on my contributions over the years. I understand that, in order to help achieve this goal, returns on my investment will fluctuate, perhaps materially, from year to year. I accept that there is the possibility that in some years returns may be negative with the possibility of falls in the value of my contributions to levels somewhat below the original amount I have invested. I am happy to save regularly for a period of at least 7-10 years or more as I appreciate that the longer I save, the greater the potential for reasonable returns over the lifetime of my AVC with less possibility of any extended fall in the value of my contributions."*

If this is how you feel you should choose investment funds with a balanced approach or invest in a balanced strategy. A balanced investment approach provides the potential for better returns and involves a medium to high level of risk.

3

ADVENTUROUS

"I want the best potential for growth on my contributions as I am aiming for good 'real' returns i.e. after inflation. As a result I am willing to tolerate the fact that there may be significant fluctuations in my returns from year to year. I also understand that in some years returns may be negative (perhaps even considerably so) and that there is the possibility of falls in the value of my contributions to levels well below the original amount I have invested. I am happy to save regularly for a period of at least 7-10 years or more as I appreciate that the longer I save, the greater the potential for good returns over the lifetime of my AVC with less possibility of any lengthy fall in the value of my contributions."

If this is how you feel you should choose investment funds with an adventurous approach or invest in the adventurous strategy. An adventurous investment approach provides the potential for best returns but involves the highest level of risk.

**If you are funding primarily for a tax-free lump sum at retirement you may choose to invest for a period of less than this.*

Further information on your investment performance, investment strategy and fund information are available online at Cornmarket.ie/your-avc-scheme.

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Warning: If you invest in this product you will not have any access to your money until you receive your Superannuation Benefits.

Are there alternatives to the AVC Scheme?

Yes - The Notional Service Purchase (NSP) Scheme and the Personal Retirement Saving Accounts (PRSA) AVC.

Your employer administers the Notional Service Purchase (NSP) Scheme for employees seeking to 'buy' Superannuation credit for missed years of service. The Notional Service Purchase (NSP) Scheme is also known as the Purchase of Notional Service (PNS) Scheme. Below you will see the advantages and disadvantages of both the NSP and AVC Schemes. This information is taken from the Pensions Authority booklet Purchase of Notional Service (PNS) and Additional Voluntary Contributions (AVCs) which is available online at: pensionsauthority.ie

OPTION 1

The NSP Scheme

ADVANTAGES	DISADVANTAGES
1. You know exactly how your pension benefit will be calculated.	1. Not open to those who will have full service at their normal retirement date.
2. You know what it will cost.	2. Not open to those who will have total service of less than nine years at their normal retirement date.
3. NSP is a defined benefit.	3. If you retire earlier than anticipated, you will not get the full benefit you expected.
4. Contributions attract tax relief.	4. No flexibility in where the purchased service is applied, i.e., can't make up shortfall in lump sum only.
	5. Cannot turn the investment into an Approved Retirement Fund (ARF).

The AVC Scheme

ADVANTAGES	DISADVANTAGES
1. Flexibility – you can stop/start contributions.	1. AVCs are a defined contribution arrangement so the individual bears the risk.
2. You have control over where fund is used (subject to Revenue limits) i.e. can fund to maximise the tax free lump sum only.	2. AVCs are subject to fees and charges.
3. Contributions attract tax relief.	3. You won't know what the fund will be until retirement.
4. You have the option to invest in an ARF.	
5. You can use the fund to avail of PNS.	
6. You can help to fund early retirement.	

OPTION 2

The PRSA AVC Scheme

Another alternative is a PRSA AVC which works in the same way as an AVC. Please be aware that unlike an AVC, where the tax relief is usually provided automatically (as the majority of members can contribute directly form salary).The majority or PRSA AVCs, can only be paid by Direct Debit which may mean that you need to contact Revenue every year to claim your tax relief. For more information please contact Cornmarket on (01) 408 4162.

Frequently Asked Questions

1 What charges apply to the AVC Scheme?

Cornmarket administer a number of different AVC Schemes. Each Scheme has it's own charging structure. Your consultant will advise you of the charges at your consultation.

2 Am I charged a consultancy fee if increase my AVC contributions?†

No there is currently no fee, if you increase your contributions. However, this may change in the future. Members who top up their AVC Plan without any advice may avail of Cornmarket's 'execution only' service.

3 Am I charged a consultancy fee each time my AVC contribution increases in line with my salary?†

No. There is no consultancy fee on any automatic increases in your AVC contributions due to increases in your salary.

†No consultancy fees apply to the Public Sector PRSA.

4 Can I vary my AVC contributions?

Yes, you may increase or decrease, stop or re-start your AVC contributions over the years ahead. This is subject to the maximum contribution limit set by Revenue and the minimum AVC contribution level. Please note, any change made may take up to two months to affect your salary.

5 Will my contributions increase in line with my salary?

The majority of AVC members pay their contributions as a percentage of salary. Because of this, their AVC contributions will increase and decrease in line with their salary. If your AVC contributions are not being deducted as a percentage of salary, contributions will remain as a fixed amount and will not automatically increase / decrease in line with your salary.

6 What happens if I stop contributing to my AVC plan?

In general, if you stop contributing to your AVC Plan, your AVC Investment Account will remain invested until you retire. At that point, it is available to you to 'buy' the retirement benefits for which you are eligible. You are not eligible to receive benefits from the AVC Scheme until you begin to draw down your benefits from the Superannuation Scheme. If you stop your contributions it may take up to two months to affect your salary.

7 If I retire on a low pension, will it affect how I can draw down my AVC benefits? (2017 figures referenced below)

On some occasions, those who have particularly short service and/or are on relatively low salaries such as those in job sharing posts for a prolonged period and/or those who retire under the Cost Neutral Early Retirement Scheme may find that their total income at retirement is less than €12,700. This has special relevance for those who have an AVC as, in order to avail of the full range of AVC benefits at retirement, your total income (including any Superannuation, social welfare pension, etc.) must be at least €12,700. Any income that is not guaranteed for life cannot be used to make up the €12,700 a year. If you happen to fall into this scenario your options are as follows:

a. As usual, part or all of your AVC Investment Account may be taken as a tax-free lump sum (up to the relevant limit set by Revenue) ***and***

b. Any balance up to €63,500 must be used to buy a pension and/or be invested in an Approved Minimum Retirement Fund (AMRF) rather than an ARF.

The essential difference between an AMRF and an ARF is that while you can make a withdrawal net of tax from an ARF at any time, you can only withdraw a maximum of 4% per annum from an AMRF until you reach age 75 or subsequently meet the guaranteed income for life, currently €12,700. The Government's logic in setting this rule is that, if you are on a low pension, you should invest your lump sum for the longer term (i.e. in an AMRF) rather than be tempted to spend it in the years immediately after retirement!

It is important that you contact Cornmarket should your circumstances change subsequently, e.g. you decide to retire earlier than anticipated, take a career break or go job sharing. Changes such as these may mean that your income will be less than €12,700 a year at retirement, opening up the possibility that some or all of your AVC Investment Account may have to be invested in an AMRF at retirement.

8 Am I buying back my temporary and/or training years under the AVC Scheme?

No. Your contributions to the AVC Scheme are being invested in your own personal AVC Investment Account. At retirement, you can choose the benefits you want based on the amount of money in your AVC Investment Account at that time, subject to Revenue limits. At the time of joining the AVC Scheme or topping up your AVCs, your Cornmarket consultant may have helped you to complete one or more 'service history forms' in order to verify your various periods of service with different employers for any training years for verification and to allow your employers to calculate the cost to you now of buying Superannuation credit for years you spent training and for temporary service.

If you have not received costings from your employer you should contact your Superannuation officer. Please remember, your AVC is not being used to purchase Superannuation credit for training and temporary years.

9 What happens if I take a career break?

If your AVC Plan has no death benefit: You should write to Cornmarket as soon as you are certain you are going to take a career break. Your contributions will of course cease as soon as your salary stops. In the interim the value of your AVC Investment Account will continue to reflect the returns earned by the investment funds. Upon returning to your job, your AVC should automatically start again. You may also wish to consider increasing your AVC contributions at that stage to make up for the shortfall resulting from the years of service you missed whilst on career break.

If your AVC Plan has a death benefit: You may well wish to keep this important cover in force while on your career break. Provided your AVC Plan has been in force for at least 1 year, cover can be continued for the duration of your career break. The death benefit must be paid for from your AVC Investment Account and therefore can only be provided as long as there is still enough money in your AVC Investment Account to do so. You should bear in mind that using your AVC Investment Account to pay for death benefit while you are on career break may have a significant effect on the amount available to provide you with other benefits at retirement. If you do not contact Cornmarket, the cost of providing your death benefit will continue to be deducted automatically from your AVC Investment Account. Therefore, if you do not wish to continue your death benefit you should notify Cornmarket so that your death benefit can be suspended for the duration of your career break.

Please remember that if you do cancel your death benefit, when you return to work following your career break you will have to sign a medical declaration confirming you are in good health before your death benefit can be reinstated.

Frequently Asked Questions

10 What happens if I leave the Public Sector?

If you resign, Revenue insists that your AVC benefits are treated in the same way as your benefits under the Superannuation Scheme:

If you are entitled to a refund of your Superannuation contributions, you must also draw down the value of your AVC Investment Account when you resign. The amount to be drawn down will be subject to tax at 20% under current Revenue regulations.

If you are not entitled to take a refund of your Superannuation contributions, you must leave your AVCs in your AVC Investment Account until retirement.

11 What happens if I change employer?

If you change employers but remain within the Public Service and continue to be a member of the Superannuation Scheme you should contact Cornmarket so the arrangements for deducting your AVC contributions from salary can be transferred to your new employer if possible.

12 Can Death Benefit be kept in force if I leave my normal occupation?†

If your AVC Plan includes a death benefit you may well wish to keep this important cover in force if you leave your normal occupation. This is normally possible provided you are under age 50 and not leaving work due to retirement (on grounds of ill health or otherwise) or redundancy. You may take out an individual policy with the insurance company without further medical evidence provided the amount payable under the individual policy does not exceed the death benefit under your AVC Plan.

In order to avail of this valuable option you must contact Cornmarket or the insurance company that underwrites your AVC within 31 days of leaving your normal occupation. A suitable policy will be issued and the premium calculated based on your age at that time. This option is only available if you were originally accepted at ordinary premium rates (i.e. without any requirement to pay extra premiums or subject to any exclusions) and are not taking a job in the armed forces of any country at war. Please bear in mind that in contrast to your AVC Plan, you may not be entitled to tax relief on the contributions to your new policy.

13 What happens to my AVC Plan if I die in service?†

If you have no Death Benefit under your AVC Plan: The value of your AVC Investment Account at the date of your death will be paid out to your estate free of taxes.

If you have Death Benefit under your AVC Plan: An amount of the Death Benefit (up to 2½ x current annual salary) will be paid out to your estate free of taxes. Any dependents' pensions payable on your death in service.

The value of your AVC Investment Account at the date of your death will also be paid out to your estate free of taxes.

14 What happens to my AVC Plan if I die in retirement?†

Dependants' Pension: At retirement (subject to Revenue limits) you can decide to use some of your AVC Investment Account to 'buy' a pension for your dependants in the event of your death.

Your Pension: If at retirement you use some or all of your AVC to buy a pension, you can choose to guarantee that it be paid for a specific period regardless of whether you die before that period runs out.

Example: If you buy a pension with your AVC that has a 5 year guarantee, your pension is paid for the rest of your life. However, should you die within the first five years of retirement then your pension will continue to be paid to your estate for the balance of the 5 year guarantee period. If you die after the 5 year guaranteed period has run out, your pension will end at the date of your death.

†*Does not apply to the Public Sector PRSA.*

15 What happens to my AVC Plan if I change my retirement plans?

When joining the AVC Scheme you indicated a chosen retirement age. However, your plans for retirement may change over the years – for instance you may decide that you want to retire at an earlier or later date than the date you originally indicated when setting up your AVC Plan. Should your chosen retirement date change it is very important that you contact Cornmarket. This is because a change in your chosen retirement date may have consequences for your investment strategy and benefit entitlements under the AVC Scheme.

16 What happens to my AVC Plan if I retire early due to illness?

If you retire on grounds of ill health your AVC Investment Account will be used to 'buy' the retirement benefits for which you are eligible, subject to Revenue limits. Please note that as you may receive additional years from your employer, this may effect how you can draw down your AVC at retirement. If you are also a claimant under a Salary Protection Scheme, the benefit you receive under that Scheme will not be affected in any way by your entitlements under your AVC Plan.

17 What happens to my AVC Plan if I am involved in a legal separation or divorce?

If you are involved in a legal separation or divorce, a pension adjustment order may be granted by the Courts over the benefits payable from the AVC Scheme on your retirement or death. Further information on how pension adjustment orders work is available from your solicitor or from:
The Pensions Authority, Verschoyle House,
28/30 Lower Mount Street, Dublin 2.
Tel: (01) 613 1900 Fax: (01) 631 8602
Locall: 1890 6565 65.

18 What happens to my AVC Plan at retirement?

Your AVC Investment Account is used to 'buy' your chosen benefits at retirement, subject to Revenue limits. You do not have to make a final decision about how you want to take your benefits until you reach retirement. It is important, however, that you plan ahead so that the amount in your AVC Investment Account will be adequate to buy your preferred choice of benefits.

Please note: There are certain retirement benefits which need to be decided on prior to retirement. For more information, please go to page 5 & 6.

19 I am getting close to retirement how can I tell if my AVC is still value for money?

This table highlights the most common scenarios that members fall into. Please take some time to see which scenarios may apply to you.

	Tax relief on your contributions	
Typical tax scenarios in retirement	**@ 40%**	**@ 20%**
1 Funding for tax-free cash lump sum		
A) Paying income tax at 0% in retirement (extremely low income)	✔	✔
B) Paying income tax at 20% in retirement	✔	✔
C) Paying income tax at 40% in retirement	✔	✔
2 Funding for non tax-free cash (ARF/AMRF/Pension)		
A) Paying income tax at 0% in retirement (extremely low income)	✔	✔
B) Paying income tax at 20% in retirement	✔	AVCs may not be value for money in some circumstances.
C) Paying income tax at 40% in retirement	AVCs may not be value for money in some circumstances.	✘

18 On what basis are assumptions made regarding salary increases, contribution increases and investment returns in my yearly AVC Benefit Statement?

Given the complex nature of pensions the industry is heavily regulated in order to help protect the consumer. Direction on how illustrations of expected benefits or statements of reasonable projections should be prepared is included within three main pieces of legislation.

1) Pensions Act, 1990

2) Occupational Pension Schemes (Disclosure of Information) Regulations, 2006 (S.I. No. 301 of 2006)

3) Trust RACs (Disclosure of Information) Regulations, 2007 (S.I. No. 182 of 2007)

Each of these pieces of legislation explains that the illustrations of benefits must be prepared in accordance with guidance provided by the "Society of Actuaries in Ireland".
In general, the thinking behind setting the assumptions is that they are in keeping with historical experience over a long period of time, are consistent with each other and also allow direct comparisons between providers.

Please note that the figures below were last updated to be effective from 1st April 2016.

Increases in Salary and Contributions

It is assumed that salary and contributions will grow by 2.5% a year, as per the guidance provided by the Society of Actuaries in Ireland, effective from 1st April 2016. Previously the rate assumed was 3% a year.

Investment returns

In projecting fund growth, there is also an investment return assumption made in accordance with the guidance provided by the Society of Actuaries in Ireland

The rate of return assumed for any investment fund must be determined based on:

- The underlying assets held in the fund and,
- What percentage of each asset class is typically held.

Different types of assets have a different growth rate assigned to them. For example, Equities and Property are 5%, Bonds are 2.5% and Cash is 1%. All of these have reduced over the last few years.

For projections where an individual has opted for an investment strategy which might include a mix of funds, the projection must use the appropriate rate of return on a monthly basis in the calculations. For example a strategy that invested in equities up to 10 years before expected retirement and then gradually moves to cash, will use a reducing blended rate in the projection calculation for the anticipated movement in funds.

Impacts on projected retirement outcomes due to April 2016 reduction in assumptions

GROWTH RATES

It will come as no great surprise that if the assumptions that must be used for future investment growth are all reducing, then the projected final funds at retirement will be lower. The further away someone is from retirement, the greater the reductions will be on fund values. For someone 5 years from retirement, the impact will be just under 5%, for someone 20 years from retirement; the impact is around 15%.

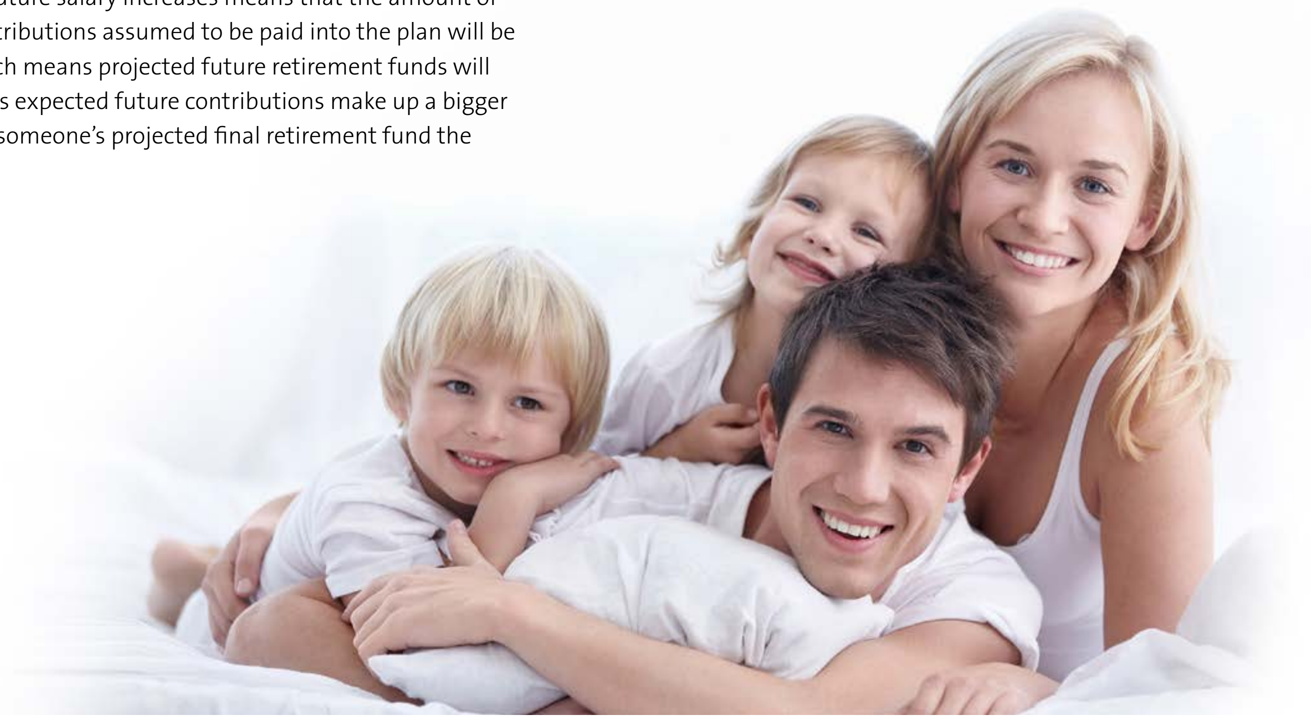
GROWTH COST OF PENSIONS

The changes in basis for calculating the cost of pension means that this cost is expected to be more expensive. The average increase in the cost of pensions is around 5% for those projections where the long term basis is to be used, where retirement date is in more than 5 years' time. For projections where the market cost of buying a pension is used, the impact will depend on the cost of pensions at the time the projection is completed. At the moment (July 2017) the cost of buying a guaranteed pension is very expensive due to historically low interest rates, and the cost of pension is around 20% dearer than the long-term cost assumption.

SALARY INCREASES

The change here has two impacts. First of all, a reduction in assumed future salary increases means that the amount of future contributions assumed to be paid into the plan will be lower, which means projected future retirement funds will be lower. As expected future contributions make up a bigger portion of someone's projected final retirement fund the further away from retirement they are, then how far someone is from retirement again influences how big the likely impact is. For someone with 20 years to go to retirement, a typical reduction in projected retirement fund is around 2%.

The reduction in assumed future salary increases does however, have a positive impact on projected retirement outcomes when we consider replacement ratios, which is what percentage of final salary someone's pension is expected to be. This is because the projected salary figure at retirement is now lower. Again, looking at someone 20 years from retirement, the fall in projected salary at retirement is around 9%. So while the first three changes in our example reduce the projected pension at retirement by around 20% combined, this last point halves the impact of that projected fall on the expected replacement ratio.



Your AVC Scheme & Public Sector PRSA

Member Guide

This booklet summarises the main details of the AVC Schemes administered by Cornmarket.

It has been prepared to help answer questions you may have about the AVC Schemes and to ensure you understand the product you are buying. It does not give all the details of your contract.

Further details of your AVC Scheme are contained in the documentation you receive when joining your AVC Scheme.

The terms and conditions of the AVC Schemes are governed by the AVC Policy and Trust Deed, a copy of which is available from Cornmarket Group Financial Services Ltd.

This booklet is based on our understanding of taxation law and practice and of the Superannuation, Spouses' and Children's and Notional Service Purchase Schemes and Approved Retirement Funds and Early Retirement Initiatives at August 2017 and no liability is accepted for any omissions or inaccuracies. If the law changes, your contract may be amended to reflect the change.

This booklet is intended only as a general guide to the benefits and conditions of the AVC Schemes and has no legal standing.

11541 AVC Scheme Member Guide 08-17

To book an appointment with one of our Retirement Planning Consultants, call (01) 408 4025 today.

To talk about your existing AVC call (01) 408 4162

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