Your AVC Scheme & Public Sector PRSA

Member Guide

Cornmarket

Your AVC Scheme & Public Sector PRSA

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Please note: This book is intended as a general guide only on the benefits of an AVC, how it works and your options at retirement. For information about your specific AVC Scheme (for example charging structure and more), please go to cornmarket.ie/your-avc-scheme or contact Cornmarket on (01) 420 6766.

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.

What is an AVC?

An Additional Voluntary Contribution (AVC) plan is a way to make additional contributions towards your retirement benefits. At retirement you can, subject to the relevant Revenue rules, 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.

There are 3 ways to set up an AVC:

1 Over the phone - call (01) 420 6751

2 Meet a consultant face-to-face, at home or in your workplace anywhere in the country call (01) 420 6752

3 By downloading a 'No Advice' application form online at Cornmarket.ie

Existing Members

- To talk about your existing AVC, call (01) 420 6766.
- If you are nearing retirement and would like to speak with a Retirement Planning Consultant, call (01) 420 6752.

How an AVC Plan works

An Additional Voluntary Contribution (AVC) is a tax-efficient way to fund for extra income when you retire. At retirement, you can use the money invested in an AVC to buy additional pension benefits, subject to Revenue rules.

1. Tax Relief

Your AVC contributions are eligible for tax-relief, for example:

Your AVC Contribution: (This figure appears on your payslip)		Less tax relief at source*: (Assuming 40%)		Actual deduction: (Once tax relief is applied)
€100	–	€40	=	€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

How an AVC Plan works

2. Benefits you can 'buy' at retirement

These may include:

- ✓ An extra tax-free lump sum (gratuity)
- ✓ An investment in an Approved Retirement Fund (ARF)
- ✓ A further taxable lump sum
- ✓ An additional pension for you in retirement
- ✓ Buying 'missed years of service' through the Notional Service Purchase (NSP) Scheme*
- ✓ An option to buy employer benefits e.g. repaying 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.

Benefits for your family†

You can also use your AVC Plan to provide:

- ✓ A Death Benefit of up to 2½ times your annual salary
- ✓ An additional pension for your spouse and/or children at retirement

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're at, an AVC Plan may make sense for you. 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 one or more of the following categories:

1. You may have missed years of service

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

- Spent years out of the workplace or started your career late
- Taken time off or taken a career break
- Worked in a job-sharing/work-sharing/part-time post
- Worked abroad for a period
- Lost Superannuation credit for years of service upon 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 before the State Pension age. Currently this is 66. In 2021 this will rise 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 hope to retire early may find that, when the time comes, they simply cannot afford to stop working.

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

While the maximum Superannuation benefits are generous, even with full service you'll find that retirement brings a significant drop in income. This is because employees who've clocked up full Superannuation benefits by retirement age will, at most, receive a pension of **half** their pensionable salary.

Nowadays, retirees usually go on to enjoy a lengthy, healthy and active retirement. With this in mind, most people are simply not willing to contemplate a major reduction in their income at retirement.

Setting up an AVC

Customers have the option to set up an AVC on a No Advice basis. However, if you would like information on whether an AVC is suitable for you, we recommend that you talk to a Cornmarket Consultant either over the phone or face to face. 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 any 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.

Step 2
He or she will then calculate your shortfall in pension benefits at retirement and estimate whether you have the potential to increase your benefits.

Your potential to fund for these benefits are also dependant on the maximum limits Revenue have placed on your retirement benefits. We explain this in further detail on page 10.

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(s) you want.

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.

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).

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 retirement benefits that Revenue allows.

Under Revenue rules, the maximum benefit payable to an employee at normal retirement age should not exceed a pension of 2/3rds of their 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, 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. This is 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 or to reach the maximum benefits that 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**.
- Under the Superannuation Scheme, you will not qualify 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 Revenue will be less than the usual 1½ times your final salary.

Pension contribution limits

Because of the favourable tax regime that applies to pensions, Revenue has placed two limits on the amount you can contribute:

1. Your contributions cannot exceed your maximum allowable entitlements at retirement age. This is known as the Overall Contribution Limit.

2. The Overall Contribution Limit is calculated as a % of annual salary. It also takes into account contributions to all pension schemes that 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%	8.50%	10%
30-39	20%	13.50%	15%
40-49	25%	18.50%	20%
50-54	30%	23.50%	25%
55-59	35%	28.50%	30%
>60	40%	33.50%	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 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 also contribute 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 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 about this).

Making a large lump sum contribution to an AVC Plan just before retirement

If 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 have 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 addition to advising you on your eligibility for such a lump sum, your consultant can also advise you on the tax implications.

Cost Neutral Early Retirement

Are you thinking of retiring earlier than you originally expected?

Cost Neutral is a retirement option that allows you to retire early with immediate payment of pension benefits. The pension and once-off lump sum payment paid by your employer are reduced to take into account the earlier and longer payment of benefits.

As a Public Sector employee, the earliest you can retire is generally 10 years prior to your normal retirement age e.g. from age 50 for those who joined the Superannuation Scheme before 1st April 2004 and from age 55 for those who joined (or re-joined) from that date onwards.

Superannuation Reduction

The tables used to calculate the reduction in pension payments are shown opposite. The table which applies to you is dependent on which of the Superannuation Schemes you are a member of. The earlier you retire from your normal retirement age, the greater the reduction in Superannuation.

Can an AVC still help me?

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.

If you retire at your normal retirement age, an AVC can help you to reach the maximum lump sum Revenue will allow (i.e. 1½ times of salary for members with more than 20 years of service).

If you retire under Cost Neutral Early Retirement, the amount that Revenue allow will reduce in line with your salary and service history.

Example using Cost Neutral tables opposite

Aoife started her career before 1st April 2004, is paying D1 PRSI and is now retiring at age 53 - 7 years before her normal retirement age. She is retiring on a salary of €60,000 with 30 years' service. The change that Aoife will see in her entitlements due to Cost Neutral Early Retirement is outlined in the table opposite.

If you plan to retire under Cost Neutral Early Retirement, it is really important that you review your retirement plans regularly to ensure that they are still on track.

	Normal Retirement	Cost Neutral
Pension	**€22,500**	**€15,975**
Tax-Free Lump Sum	€67,500	€58,860
Tax-Free Lump Sum Shortfall	€22,500	€14,100
Total Tax-Free Lump Sum	**€90,000**	**€72,960**

Age at your last birthday	Pre 1st April 2004 Pension	Lump sum
50	62.4%	82.2%
51	65.1%	83.9%
52	67.9%	85.5%
53	71.0%	87.2%
54	74.3%	88.9%
55	77.8%	90.7%
56	81.6%	92.4%
57	85.7%	94.3%
58	90.1%	96.1%
59	94.8%	98.0%

Age at your last birthday	1st April 2004 - 31st December 2012 Pension	Lump sum
55	58.2%	82.4%
56	61.1%	84.0%
57	64.1%	85.6%
58	67.4%	87.3%
59	71.0%	89.0%
60	74.8%	90.7%
61	79.0%	92.5%
62	83.6%	94.3%
63	88.5%	96.1%
64	94.0%	98.0%

From 1st January 2013

On 1st January 2013, the Single Public Service Pension Scheme was introduced. All members of this Scheme are entitled to retire under Cost Neutral from age 55. Below are the Cost Neutral figures for Single Pension Scheme members.

Age at last birthday	Normal Retirement Age: 66 Years		Normal Retirement Age: 67 Years		Normal Retirement Age: 68 Years	
	Pension	Lump sum	Pension	Lump sum	Pension	Lump sum
55	69%	97%	67%	97%	64%	96%
56	71%	97%	69%	97%	66%	97%
57	73%	97%	71%	97%	68%	97%
58	76%	98%	73%	97%	70%	97%
59	78%	98%	75%	98%	72%	97%
60	81%	98%	78%	98%	75%	98%
61	84%	98%	80%	98%	77%	98%
62	86%	99%	83%	98%	80%	98%
63	90%	99%	86%	99%	83%	98%
64	93%	99%	89%	99%	86%	99%
65	96%	99%	93%	99%	89%	99%
66			96%	99%	92%	99%
67					96%	99%
68						

Investing your AVC

The greater the amount in your AVC Investment Account at retirement, the more retirement benefits you can buy. When it comes to investing your AVC, you have two options:

1. **Avail of an Investment Strategy**
   - Many AVC scheme members opt to join an Investment Strategy. An Investment Strategy is when your AVC is invested in a selection of funds that are chosen by experts. The Investment Strategy you choose is based on your attitude to risk and desired return.
   - Most Investment Strategies will move some or all of the capital in the AVC into safer funds as the member approaches retirement.
   - Investment Strategies remove the need for you to actively monitor and manage your investment in your AVC Plan.

2. **Actively manage your own AVC Fund(s)**
   You have the option to select the individual fund(s) that your AVC is invested in i.e all decisions about the funds that your AVCs are invested in will be your responsibility. With this option it is particularly important that, as you approach retirement, you remain satisfied that your chosen funds are appropriate for your needs.

Understanding Risk and Reward

With all investments, there is usually a trade-off between risk and reward. It is rarely possible to be sure what returns you'll enjoy over the years ahead.

Investments in low risk funds (like Capital Protection, Deposit and Cash Funds), normally give lower returns.

Whereas, investments in higher risk funds (like Equity Funds), usually give a higher return over the long term. However, these are likely to fluctuate far more over the years and there is a greater risk of falls in value.

That is the trade-off between risk and reward.

Before you decide which investment option suits you best, there are 3 key things you should keep in mind:

1. The level of returns you want
2. The possibility of fluctuations/volatility in the value of your investment over the years
3. 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. 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 are, the greater the risk of fluctuations in the value of your investment i.e. the greater the volatility. 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 is that you may lose some or all of your investment. Similarly, the lower the potential returns, the lower the risk of a substantial fall in the value of your investment.

Which investment approach is right for you?

To help you decide which investment approach is right for you, it is necessary to assess your attitude to risk. This will help to determine which investment strategy type is right for you at this time – **cautious**, **balanced** or **adventurous**.

Assessing your risk/reward profile

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

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

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

1. **Cautious - A cautious investment approach provides the potential for modest returns with a low to medium risk level.**

   "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."

2. Balanced - A balanced investment approach provides the potential for better returns and involves a medium to high level of risk.

"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."

3. Adventurous - An adventurous investment approach provides the potential for the best returns but involves the highest level of risk.

"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 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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Are there alternatives to the AVC Scheme?

Yes, there are 2 key alternatives to AVCs: The Notional Service Purchase (NSP) Scheme and Personal Retirement Saving Accounts (PRSA).

1. NSP Scheme

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.

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

2. Public Sector PRSA

Another alternative is a Public Sector PRSA which works in the same way as an AVC. 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. This may mean that you need to contact Revenue every year to claim your tax relief. For more information please contact Cornmarket on (01) 420 6751.

A **reminder of the benefits** of the AVC Scheme

Advantages	Disadvantages
1. Flexibility – you can stop/start contributions when you wish. 2. Contributions are eligible for tax relief. 3. You have the option to invest in an ARF. 4. You can use the fund to avail of PNS. 5. You can fund your early retirement.	1. AVCs are a defined contribution arrangement so the individual bears the risk. 2. AVCs are subject to fees and charges. 3. You won't know what the final fund value will be until retirement.

AVC Options at Retirement

Unlike a standard savings plan, the money you invest in your AVC can only be accessed when you retire. When you are approaching retirement, your retirement planning consultant will meet with you to go through all of your options, and advise on which options best suit your needs.

1. Tax-free Lump Sum

The number one thing that AVC Investment Account holders do with their AVC at retirement, is top up their Superannuation tax-free lump sum (gratuity).

When you retire, you may be able to take part or all of your AVC Investment Account as a tax-free lump sum. Any lump sum you take from your AVC to top up your Superannuation gratuity will be paid to you free of taxes (subject to Revenue limits).

The maximum lump sum you can get at normal retirement age* depends on your service with your employer and cannot exceed the lesser of:

- 1½ times final salary **or**
- €200,000 (must include any retained/preserved benefits** from previous employers).

Your final salary will be calculated using the Revenue Maximum Formula and the following factors will be taken in to account:

- Any pay reductions you may have had in the last 12 years (known as Dynamisation)
- Non-pensionable earnings
- Cost Neutral Early Retirement
- Less than 20 years' service
- Greater than 40 years' service and over age 60.

*If you retire before your normal retirement age under a special retirement scheme such as Cost Neutral Early Retirement or any future government sponsored scheme, under Revenue rules your AVC tax-free cash entitlements may be reduced or removed.
**Retained/preserved benefits are rights to pension benefits, built up in previous employment.

2. Other Options for the remainder of your AVC

After you've taken your maximum tax-free lump sum, the following other options may be available to you. Your Guaranteed Income for Life (annuities) will determine which options you can avail of i.e. whether this is **more than** or **less than** €12,700. This is outlined in the table below:

	A	
Guaranteed Income for Life	**Investing in an Approved Retirement Fund (ARF)**	**Investing in an Approved Minimum Retirement Fund (AMRF)**
More than €12,700 (2018 level)	✓	X
Less than €12,700 (2018 level)	X	✓
	An Approved Retirement Fund (ARF) offers the potential for attractive investment returns as you can choose from a range of ARF investment funds. See page 24 - 27 for more information on ARFs. Any withdrawal from an ARF will be paid to you less income tax, the Universal Social Charge (USC) and PRSI (in certain cases).	If your total pension at retirement is less than €12,700 per annum, you can invest the first €63,500 of your AVC investment account in an Approved Minimum Retirement Fund (AMRF). See pages 24 - 27 for more information on AMRFs. Any withdrawal of the interest from an AMRF will be paid to you less income tax, the Universal Social Charge (USC) and PRSI (in certain cases).

Guaranteed Income for Life	B **Taxable cash at retirement**	C **Superannuation benefits bought through your employer**	D **Benefits bought under the Notional Service Purchase (NSP) Scheme***	E **A secure income for life – a pension**
More than €12,700 (2018 level)	✓	✓	✓	✓
Less than €12,700 (2018 level)	X	✓	✓	✓
	You may decide to take some or all of the money remaining in your AVC Investment Account as taxable cash in addition to your tax-free lump sum. Any cash you take as a taxable lump sum will be paid to you less income tax, the USC and PRSI (in certain cases).	If you have an option to use part or all of your AVC Investment Account to purchase service from your employer (for example a refund of a marriage gratuity or Superannuation credit for training and temporary years of service), it makes sense to do so. However it is important to get expert advice before using your AVC to purchase this service. Note: If you intend to use your AVC to purchase employer benefits you must notify your employer and complete the transfer **before** your retirement.	If having been a member of the AVC Scheme, you are approaching retirement and decide that you want to buy Superannuation benefits for missed years of service through the NSP Scheme, you may use part or all of your AVC Investment Account to do so **prior** to retirement. Note: If you intend to use your AVC to purchase employer benefits you must notify your employer and complete the transfer **before** your retirement. *Also known as the Purchase of Notional Service (PNS) Scheme.	This is guaranteed income paid to you for the rest of your life. You can buy a pension with the money in your AVC Investment Account. However, you will no longer have control over that part of the money you have built up in your AVC Investment Account. Your pension will be paid to you less income tax, the USC and PRSI (in certain cases).

A combination of the options	You may be able to choose a combination of any two or more of the above options depending on your financial situation and needs at retirement.

Understanding Approved Retirement Funds (ARFs) & Approved Minimum Retirement Funds (AMRFs)

ARFs

Advantages

- You have flexibility and control over the money you have built up in your AVC Investment Account
- You can invest in a wide range of assets with the potential for continuing growth
- You can make partial withdrawals whenever you want
- When you die the money remaining in your ARF passes to your estate.

Disadvantages

- Depending on the type of fund you invest in, there is a risk that the value of your ARF could fall if investment markets fail to perform
- If you withdraw a regular income which is greater than the investment returns you are earning on your ARF, the value of your ARF will fall
- If you are drawing an income from your ARF your investment may run out if returns from the markets are poor or if you live a long time.

AMRFs

Advantages

- You can invest in a wide range of assets with the potential for continuing growth
- When you die the money remaining in your AMRF passes to your estate
- No Imputed Distribution - see page 26 for more details.
- Turns into an ARF at 75 or whenever you have a Guaranteed Income for Life of greater than €12,700 p.a. It is your responsibility to inform your AMRF provider if your guaranteed income rises above €12,700.
- You can withdraw a maximum of 4% of the value each year.

Disadvantages

- Limited access to capital
- Depending on the type of fund you invest in, there is a risk that the value of your AMRF could fall if investment markets fail to perform.

Warning: The value of your investment may go down as well as up.

Warning: The income you get from this investment may go down as well as up.

Warning: This product may be affected by changes in currency exchange rates.

If I choose to invest some in an ARF/AMRF, can I buy a pension later (i.e. a regular income for life) with the money in my ARF/AMRF?

At any stage you can use your ARF/AMRF to buy a pension which guarantees an income for the rest of your life. More information on pensions can be found on page 27.

Can I switch my ARF/AMRF investments from one fund/fund manager to another?

Yes, an ARF/AMRF can be moved from one fund/fund manager to another at any time. Cornmarket is happy to advise you on how to maximise the growth on your ARF/AMRF.

If I retire early and invest in an ARF/AMRF, can I still take up employment?

Yes. Any new job you take up will be treated separately in relation to building up pension entitlements.

What happens to my ARF/AMRF when I die?

- Your spouse can inherit your ARF/AMRF free of Income and Capital Acquisition Tax. Any subsequent drawdown will be subject to income tax, the USC and PRSI (in certain cases) as appropriate
- Money in your ARF/AMRF that you leave to your children **under age 21** will be free of Income Tax but will be liable to Capital Acquisition Tax
- Money in your ARF/AMRF that you leave to your children **over age 21** will be taxed at 30%, but will not be liable to Capital Acquisitions Tax
- Money in your ARF/AMRF that you leave to other individuals (i.e. not your spouse or children) will be taxed at the higher rate of Income Tax and will be liable to Capital Acquisitions Tax.

Note: A Market Value Adjustment (MVA) and early exit charges may apply on certain funds.

Warning: The value of your investment may go down as well as up.

Warning: The income you get from this investment may go down as well as up.

Warning: This product may be affected by changes in currency exchange rates.

How does the tax work on an ARF/AMRF?

A key benefit of an ARF/AMRF is that (subject to the tax regime outlined opposite) there is no tax on the investment income or growth. Any amounts you withdraw from your ARF/AMRF will be taxed at your marginal rate of tax. This is assumed to be the higher rate of tax unless you provide a tax cert allocating a portion of your Standard Rate Cut Off Point to your ARF/AMRF provider, to allow them to deduct tax at the standard rate of tax. Any withdrawals you make will also be liable to the Universal Social Charge (USC) and PRSI (in certain cases).

ARFs/AMRFs are very attractive from a tax point of view as the money you invest in your ARF/AMRF comes out of your AVC Investment Account which itself is made up of:

- AVC contributions on which you received tax relief and
- Tax-free growth over the years on those contributions.

Can I give part or all of my ARF to someone else for tax purposes?*

Part or all of the proceeds of your ARF can be given to another person but this will be deemed to be a withdrawal from your ARF and therefore will be liable to income tax, the USC and PRSI (in certain cases).

Tax Regime for ARFs (Imputed Distribution)

The 2006 Finance Act saw the introduction of a tax regime for ARFs. As a result, each year Revenue will assume that you have withdrawn a percentage of your ARF – whether you have withdrawn this money or not. This is called Imputed Distribution. Therefore Revenue will require that tax is paid on the amount they assume you have withdrawn. The amount that Revenue assumes you have withdrawn from your ARF and on which tax will be paid is 4%*. This assumption will only apply when the ARF holder is aged 60 or over for a full tax year.

*5% after age 70. 6% on over €2,000,000.

Example

Mary has an ARF worth €30,000 and a pension of €28,000

- Mary made no withdrawal from her ARF during the tax year. However, on the 30th November, Revenue will require her to pay tax based on the assumption that she withdrew 4% from her ARF (€1,200) – even though she did not
- They require the institution, that Mary invested her ARF with, to deduct an amount from her ARF equivalent to the income tax that would have been due if she had actually withdrawn the 4%
- If Mary is paying income tax at the lower rate of 20%, plus the USC of 4.75% (2018 level), then the total amount of tax due would be €297 (i.e. 24.75% of the €1,200 assumed deduction)
- Any withdrawal Mary has actually made during the year will be taken into account, so she will not have to pay tax twice on the same withdrawal
- Note: If an individual is subject to USC, this will be deducted as part of the income tax due under their ARF income.

Pensions

Advantages

- You are buying certainty
- You are guaranteed to be paid a predetermined income for the rest of your life
- With most pensions, it does not matter if returns from stock markets are poor or if you live for a long time
- You can build in a minimum payment period or a dependants' pension.

Disadvantages

- Your AVC Investment Account will no longer exist if you have used it to buy an income for life
- Lack of flexibility. You usually cannot change the level of your pension once you take it out
- Your pension will stop when you die unless you have built in a dependants' pension or a minimum payment period.

Warning: The value of your investment may go down as well as up.

Warning: The income you get from this investment may go down as well as up.

Warning: This product may be affected by changes in currency exchange rates.

Frequently Asked Questions

1. What charges apply to an AVC?

Cornmarket administer a number of different AVC Schemes. Each Scheme has it's own charging structure. Your consultant will advise you of the charges or you can go to cornmarket.ie/your-avc-scheme.

2. Am I charged a consultancy fee if i 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 without any advice may avail of Cornmarket's 'No Advice' 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 when you wish. 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, your 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?

In general, if you stop contributing to your AVC, your AVC Investment Account will remain invested until you retire. At that point, it is available to you to 'buy' the retirement benefits that you are eligible for. 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? (2018 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 p.a. 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 p.a. 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 Approved Retirement Fund (ARF).

The essential difference between an AMRF and an ARF is that while you can make a withdrawal 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 when you meet the guaranteed income for life (currently €12,700 p.a.). 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 if your circumstances change 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, which opens 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 at that time, subject to Revenue limits. When you joined the AVC Scheme or topped up your AVC, your Cornmarket consultant may have helped you to complete one or more Service History Forms: this was to verify your various periods of service with different employers for any training years and to allow your employers to calculate the cost to you of buying Superannuation credit for any years you spent training or in 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 death benefit: You may wish to keep this important cover in place 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 enough money in your AVC. 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 you on 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, it's important that you notify Cornmarket so that your death benefit can be suspended for the duration of your career break.

If your AVC Plan does not have death benefit: You should write to Cornmarket as soon as you are certain you are going to take a career break. Your contributions will 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.

Please remember that if you 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.

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 wish to keep this important cover in place 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.

†Does not apply to the Public Sector PRSA.

13. What happens if I die in service?†

If you **have** death benefit under your AVC Plan: An amount of death benefit (up to 2½ x current annual salary) will be paid to your estate free of taxes. The value of your AVC Investment Account at the date of your death will also be paid to your estate free of taxes.

If you **do not have** 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.

14. What happens if I die in retirement?†

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

Your Pension: If at retirement you use some or all of your AVC to buy a pension, you can choose to guarantee that it is 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, if 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.

15. What happens if I change my retirement plans?

When you took out your AVC, 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 you originally indicated. If your chosen retirement date changes, 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. Will my AVC move into safer funds as I approach retirement?

If you selected to invest your AVC in a strategy then some or all of your AVC will move into safer funds. However, if you are not in a strategy and selected your own funds, then your AVC will remain invested in these funds until you advise otherwise.

17. What happens if I do not intend to live in Ireland after my retirement?

If you plan to leave Ireland permanently you should contact Cornmarket and we will be happy to provide you with further information on this. It is also important that you provide Cornmarket with a forwarding address for your AVC Annual Benefit Statements each year and any other correspondence relating to your AVCs. We also recommend that you leave your Irish Bank Account active.

Please note that the option to invest in an ARF/AMRF may not be available if you are not a resident in Ireland when you are settling your AVC after you have retired.

18. What happens if I retire early due to illness?

If you retire on grounds of ill health, your AVC will be used to 'buy' the retirement benefits that you are eligible for, 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.

19. What happens 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 for 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 www.pensionauthority.i.e. (Cornmarket cannot be held responsible for content on external websites).

20. 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 arise for members. Please take some time to see which scenarios may apply to you. Those that are value for money are marked with a tick.

	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.	X

If would you like to meet with a Cornmarket consultant to discuss your AVC, call 01 420 6752.

21. In my annual AVC Benefit Statement, what assumptions are made regarding salary and contribution increases, and investment returns?

Given the complex nature of pensions, the industry is heavily regulated in order to help protect the consumer. Direction on how illustrations should be produced for expected benefits or statements of reasonable projections, 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 explain that the illustrations of benefits must be prepared in accordance with guidance provided by the Society of Actuaries in Ireland. In general, the assumptions are in keeping with historical experience over a long period of time, are consistent with each other and, allow direct comparisons between providers.

The actual assumptions which are used in a projection will be detailed in the AVC Benefit Statement.

We're here to help you.

To take out an AVC over the phone, call **(01) 420 6751**.

To book an appointment with a consultant, call **(01) 420 6752**.

To talk to someone about your existing AVC, call **(01) 420 6766**.

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