

Personal Retirement Bonds Members Guide

Irish Life - Pensions Made Easy



Irish Life

Irish Life Corporate Business



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- latest investment information
- monthly fund fact sheets
- weekly and monthly market commentaries
- news section
- comprehensive download section

We also offer a variety of pensions tools online such as:

- Pension Planet Interactive: www.pensionplanetinteractive.ie
- Pension Prophet: www.pensionprophet.ie
- Pension Choice: www.pensionchoice.ie

for any pension and investment queries you may have.

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Irish Life Corporate Business

First Class Providers of
Personal Retirement Bonds

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introduction

What is a PRB?

A Personal Retirement Bond (PRB), which is also known as a Buy-Out-Bond, can be used by the trustees of a pension plan to buy retirement benefits for you as a former member of their pension plan. A PRB is a personal policy in your name. The value of your fund when you leave the pension plan is invested in the PRB. When you retire, you can then use the proceeds of the PRB to provide retirement benefits.

Irish Life Corporate Business has long established itself as a first-class provider of PRBs due to the fact that we offer an extensive range of investment options, supported by internet capabilities and a dedicated administration area. This is why we have become the company of choice in the PRB market.

When can I use a PRB?

- When leaving employment
- When leaving a pension scheme
- For large-scale withdrawals, such as a scheme winding up.

Why choose an Irish Life PRB:

- Irish Life is the market leader in the provision of Personal Retirement Bonds.
- We offer you competitive terms, in particular where a number of PRBs are purchased together.
- You will receive first-class communication, such as detailed documentation upon joining and an annual benefit statement which clearly outlines your entitlements.
- As a member, you can check the value of your PRB at any time by using our internet offering, [Pension Planet Interactive](#) or by simply using our unique interactive phone service, [Pension Phone](#).
- You can choose from a wide range of investment options to meet your individual needs.
- We don't levy monthly contract charges on our PRB members.
- No bid-offer charge is applied.

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

②

contributions

How are my contributions invested?

The amount we invest in the fund depends on the size of the amount transferred by the Trustees and the time left until your normal retirement age, for example 65. The percentage of the premium we invest into the fund also depends on the amount of the contribution made.

Early encashment charge

Irish Life reserves the right to apply a surrender value on the early encashment of a PRB. It will not apply on death. Details of these changes will appear on your benefit statement or you can contact us for more detail.

What should I consider when deciding on my investment options?

There are a few essential issues that you should consider when deciding on your investment options:

- How much time do you have to save and invest before retirement?
- How much risk are you comfortable with?
- How much money will you need when you retire?
- What combination of benefits are you going to take when you reach retirement?

Investment options

A PRB invests in one or more of our range of funds. We invest each fund in a different way so that you will have access to a wide range of different assets (for example, Irish and foreign company shares, fixed-interest bonds, property and cash). As a result of this, your range of asset and risk choice is increased. Your fund choice should reflect the amount of risk you wish to be exposed to.

When we have determined how much to invest, the money is then used to purchase "units" in the investment fund which has been selected. The price of these units will change in line with changes in the value of the assets which they are invested in.



There is also an annual management charge on each fund which is reflected in the unit prices of the funds.

The range of available investment options can be divided into four main types:



Indexed Funds (Passive Funds)

This is where the investment manager invests in line with the whole market (or a particular section of it). This is called the index. For example, the North American Equity Index invests in the Financial Times North American

Index. The fund manager does not aim to choose any particular stocks or sector, but invests in line with the whole index.

The Consensus Fund is an indexed fund which aims to provide performance that is consistently in line with the average of all pension managed funds in the Irish marketplace. After adopting the average asset allocation of all the pension funds in the market, the fund then pursues index tracking stock selection.

B Active Managed Funds

The assets an active fund invests in are chosen by the fund manager based on their expectations of future performance. This introduces an extra source of risk compared to indexed funds, as there is a risk that the fund manager may make poor decisions.

For example the Active Managed Fund is an actively managed fund which aims to deliver above average performance through active asset allocation and stock selection. The core principle of our approach is the identification of stocks that represent value in the marketplace. Based on our view of the markets and economies, a decision is taken on how much to invest in equities, bonds, property and cash. Then a view is taken as to which countries we should invest in. The next decision is which stocks (company shares) to hold within each country portfolio.



We offer funds managed by a range of experienced active managers including Irish Life Investment Managers, Bloxham and Fidelity Investments.

C Specialist Funds

Our range of specialist funds gives access to many other types of investment, such as Irish property and fixed-interest bonds.

Examples of our specialist funds include Fidelity European Opportunities Fund, Global Focus Fund and Bloxham's Contrarian Fund & High Yield Fund.

D Investment Strategies

You can either invest your PRB into a selection of funds or alternatively you can chose an investment strategy. An investment strategy helps to take the hassle out of managing your investments by automatically switching your funds to lower risk funds as you approach retirement. (See the next pages for details).

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

Warning: These funds may be affected by changes in currency exchange rates.

Personal Lifestyle Strategy (PLS)

The Personal Lifestyle Strategy (PLS) is an exciting and innovative investment solution for PRB holders.

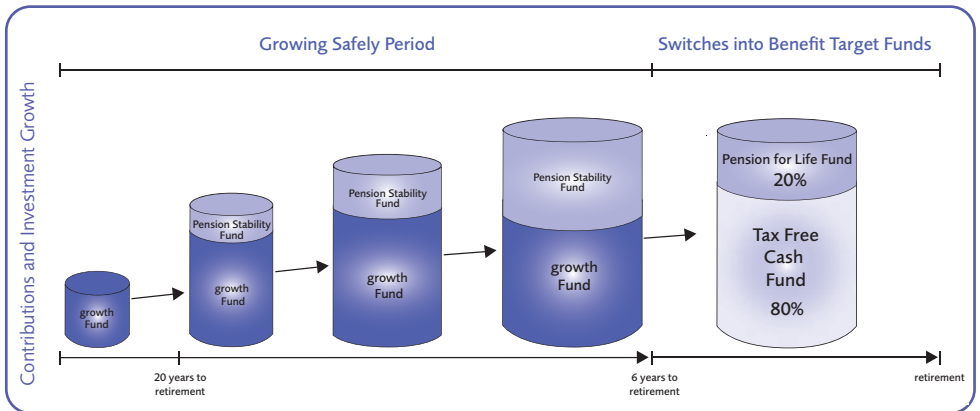
PLS is designed to meet two very important needs for PRB holders:

- It helps protect your PRB fund value against market fluctuations as you get closer to your retirement date and
- It directs your investment into appropriate funds that best match the benefits that you are likely to take on your retirement.

How does the Personal Lifestyle Strategy work?

The Personal Lifestyle Strategy consists of two phases which span the years of your PRB investment. It starts from the moment you join the strategy up to your retirement date.

- **Phase 1:** Growing Safely Period
- **Phase 2:** Switches into Benefit Target Funds



Phase 1

Growing Safely Period

Phase 1 puts you in funds suitable to achieve investment growth while at the same time balancing investment risks.

Initially you will be completely invested in a growth fund, typically the Consensus Fund.

With 20 years to retirement we start to move parts of your fund into the Pension Stability Fund. This helps to protect your PRB fund against volatile markets.

Phase 2

Switches into Benefit Target Fund

Phase 2 gradually moves your PRB fund into funds that will be suitable for how you are likely to take your benefits upon reaching your planned retirement date.

The average PRB holder will use 80% of their fund for a tax-free lump sum* with the remainder being used to secure an annuity. However, it is important to note that the amount you may take as a tax-free lump sum depends on your personal circumstances and may be more or less than the 80% of your fund.

**The lifetime limit on tax-free lump sum is currently €200,000 effective from December 2005.*

With 1 year to retirement you will be 80% invested in the Tax Free Cash Fund and 20% in the Pension for Life Fund.

Which investment funds are used?

The growth Fund is typically a **Consensus Fund** which invests mainly in international equities. It aims to achieve returns that are consistently in line with the average of all pension managed funds in the Irish marketplace.

The **Pension Stability Fund** is mainly invested in bonds, with some investment in cash, equities and alternative assets. It aims to help protect your pension fund against market movements.

The **Tax Free Cash Fund** is a low risk fund which invests in bank deposits. It will be used for your likely tax free cash benefit.

The **Pension for Life Fund** invests in government and corporate bonds. It is designed for the portion of your fund that may be used to purchase an annuity.

Details of these funds and their management charges are available on our website www.irishlife.ie/corporatebusiness

How does PLS work in detail for an individual PRB holder?

If your retirement age is 65 you are 100% invested in a growth fund, typically the Consensus Fund, until you reach age 45.

From age 45 we will switch a small percentage, about 3% each year, of your accumulated fund into the Pension Stability Fund each year.

The switches take place on a monthly basis. When you reach age 59 and you are 6 years away from retirement, 60% of your PRB will be

invested in a growth fund and 40% in the Pension Stability Fund. If your pension plan has a different retirement age then the switching will start 20 years from that retirement date.

During the 6 years before your retirement, your fund is then directed into target funds to match your likely retirement benefits. For PRB savings, this is 80% Tax Free Cash Fund and 20% Pension for Life Fund.

The following table gives an overview of the funds you will be invested in over the years of your PRB saving.

	Years to Retirement	growth fund	Pension Stability Fund	Tax Free Cash Fund	Pension for Life Fund
Growing Safely Phase	Up to 20 6	100% 60%	0% 40%	0% 0%	0% 0%
Switches into Tax Free Cash Fund	5	48%	32%	16%	4%
	4	36%	24%	32%	8%
	3	24%	16%	48%	12%
	2	12%	8%	64%	16%
	1	0%	0%	80%	20%
	0	0%	0%	80%	20%

For a full range of funds available please visit our website www.irishlife.ie/corporatebusiness/

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

Warning: These funds may be affected by changes in currency exchange rates.

These funds may engage in securities lending to earn returns.

4

your
questions
answered

What will the value of my PRB be at retirement?

The value of your PRB can be used at retirement to buy retirement benefits. This value will depend on the performance of the unit funds that you were invested in during the term of the bond.

This amount can be used to buy a combination of the benefits below (within Revenue limits).

What will I get from my PRB at retirement?

Subject to Revenue limits or restrictions that may apply, a PRB can be used to purchase a combination of the following:

- A tax-free lump sum*.
- A pension paid for life.
- A cash lump sum (once-off pension payment).
- A pension paid to a spouse or civil partner (if death occurs after retirement).
- A children's pension (if death occurs after retirement).
- A pension payable to a dependant (if death occurs after retirement).
A dependant is somebody who is financially dependent upon you.

**Please refer to the Revenue benefits limits on Page 15.*

You may also decide to have your pension:

- Increased every year at a set rate.
- Increased every year in line with inflation.
- Payable for as long as you live and for a period of up to ten years, even if death occurs before the end of that period.

You can use your fund to buy an annuity from Irish Life or another insurance company.

The price paid for an annuity will depend on investment conditions at the time the pension is set up.

As a result, the amount of a pension that can be bought will depend on investment conditions at retirement.

See overleaf for a summary of our options at retirement.

What will I get at retirement?

If you transfer your PRB from a Defined Benefit (DB) pension scheme, only option 1 applies. If you transfer your PRB from a Defined Contribution (DC) scheme and the original scheme rules allowed transfers to ARFs/AMRFs, then you can choose between option 1 and option 2.

Option 1

1. Take a maximum cash lump sum of up to 1.5 times salary, subject to 40 years of relevant or pensionable service.* For 20% directors the average of 3 consecutive years' salaries in the past 10 years must be used to calculate a cash lump sum.

AND THEN

2. In both cases the balance of your pension fund must be used to buy a pension income for life/annuity.

AND THEN

3. If you have chosen to contribute extra amounts into an AVC fund, you also have the option to convert the AVC fund into an ARF (Approved Retirement Fund)/AMRF (Approved Minimum Retirement Fund)

OR

Option 2

1. Take a maximum immediate cash lump sum of up to 25% of your retirement fund.*

AND THEN

2. Invest the next €119,800** of your pension fund in:
 - An AMRF or
 - Purchase an annuity to provide you with a pension income for life.

OR

If you have provided us with satisfactory proof that you have a guaranteed lifetime income of at least €18,000** a year (including any State benefit applicable), you can:

3. Take the balance as a taxable lump sum

OR

Transfer the balance to an ARF.

**Please see overleaf for the tax treatment on these lump sums.*

***These amounts may change (up or down) as specified by the Government. The amounts quoted are correct as at February 2012.*

What are the Revenue's benefit limits?

The proceeds of a PRB at retirement are treated the same way as the benefits under a normal occupational pension arrangement. The benefits together with those of all other pension arrangements (if any) must not be more than the following Revenue limits:

- The maximum pension is dependent on earnings and length of service to a maximum of two thirds of your final salary at retirement.
- The maximum lump sum possible is either 1.5 times salary at normal retirement age or 25% of your retirement fund, depending on what retirement options you choose. If you choose 1.5 times salary, the cash lump sum will be reduced if you do not have at least 20 years relevant or pensionable service. The maximum tax-free cash lump sum you can take from all your pension arrangements is €200,000. This is a lifetime limit (from 7th December 2005) and so will apply to a single lump sum or where you are in receipt of lump sums from more than one pension product. Please see the following page for a summary.
- The maximum spouse's/civil partner's or dependant's pension that can be given at retirement is 100% of the maximum PRB

holders allowable pension.

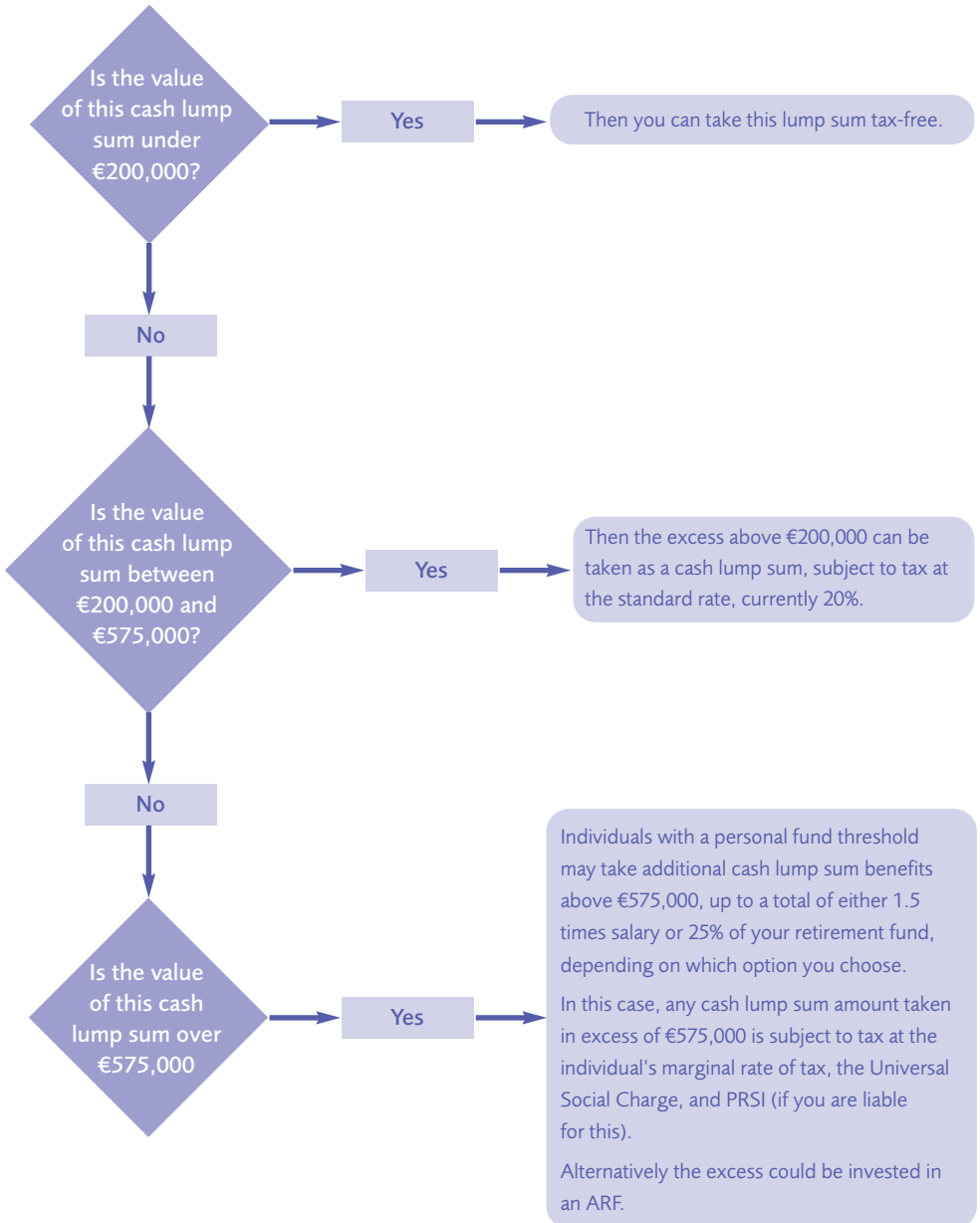
- The maximum children's pension (to be given at retirement) when combined with the spouse's or dependant's pension, must not be more than the PRB holder's maximum allowable pension.

There are also limits on:

- The rate at which a pension can increase while we are paying it.
- Early retirement pensions.
- Your pension where if you are a director who controls or controlled more than 20% of the voting rights in the employer's company.
- However, if you have not joined another pension scheme before normal retirement age, lower limits will apply. Please contact your Financial Advisor for details on the limits that may apply.

Cash lump sum payments - tax treatment

Your cash lump sum will have the following tax treatment.



Pension Income for life/annuity

This is a fixed pension income for life, where your income remains the same. The amount of pension income you receive will depend on of the size of the pension fund you have built up. The maximum amount Revenue allows is two-thirds of salary, if you have at least 10 years relevant or pensionable service at retirement age. You will also have the options to purchase a pension income for your spouse/civil partner or to have your pension increase on an annual basis. In either case it will reduce the level of pension you will be able to receive.

What is an ARF?

ARF stands for Approved Retirement Fund. An ARF is a tax-free investment fund held in your own name and managed by a Qualifying Fund Manager. Money can be transferred from one ARF to another if you have more than one.

An ARF can only be taken out if:

- You have a guaranteed lifetime income of at least €18,000* a year (as at February 2012) or
- Your fund has a value of at least €119,800* (February 2012).

Money withdrawn from an ARF is subject to income tax, and the Universal Social Charge, and PRSI (if you are liable for this.)

**These amounts may change (up or down) as specified by the Government. The amounts quoted are correct as at February 2012.*



Please note the following Revenue regulations:

- If the ARF's asset value is less than €2 million, every year 5% of the ARF's asset value as at 31st December* is liable to income tax, Universal Social Charge and PRSI, if applicable. The 5% is inclusive of any income you actually take.
- If the ARF's asset value is greater than €2 million or if an individual owns more than one ARF, where the aggregate value of the assets in those ARFs exceeds €2 million, every year 6% of the ARF's asset value as at 31st December* is liable to income tax, Universal Social Charge and PRSI, if applicable. The 6% is inclusive of any income you actually take.

This applies when the ARF owner is 60 years or over for the whole of the tax year and where an ARF is set up after 6th April 2000.

**These amounts and the valuation dates may change as specified by the Government.*

The information is correct as at February 2012.

"What happens if..."

I want to use my PRB benefits for early retirement?

Under Revenue rules, early retirement benefits from a Personal Retirement Bond can be taken from the age of 50 years (in certain limited circumstances, benefits of the bond can be taken earlier due to ill health). The PRB is designed to run until normal retirement age and therefore retiring early leads to a reduced return on investment.

The table below displays the estimated fund values, should you decide to use the PRB benefits for early retirement.

The examples below display information based on a person aged 50 with a retirement age of 65 and an investment of €50,000. The example also assumes a management charge of 0.75% p.a.

I want to continue working after my normal retirement age?

If employment continues after normal retirement age, the available options are:

- Delay the PRB payment until actual retirement (not later than 70th birthday) or
- Receive the benefits of the PRB from normal retirement age.

The value of a PRB at the later retirement date will be the value of the fund at that time. However, under Revenue rules, benefits must not be taken later than your 70th birthday. If employment doesn't continue after normal retirement date, payment may not be delayed beyond this date.

At end of year	Estimated fund when you retire based on growth rate of 4% a year	Estimated fund when you retire based on growth rate of 6% a year
1	€51,302	€52,288
2	€52,637	€54,681
3	€54,008	€57,184
4	€55,748	€60,162
5	€57,545	€63,295
10	€67,434	€81,584
15	€79,023	€105,158

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

I want to add more money to my PRB?

You may only invest extra money in a bond if the money comes from the pension scheme from which the original transfer came. The employee or a former employer cannot directly top up the amount of the bond with their own funds.

I want to switch between investment funds?

There are three cases where it is possible to switch between funds without the application of switching charges:

- 1 The first six switches in any calendar year are free.
- 2 When the investment is automatically switched as part of an investment strategy such as the Personal Lifestyle Strategy.
- 3 When switching from any other investment choice to the Cash Fund or the Pension Protection Fund during the five years before retirement.



Otherwise there is a small administrative charge for switching between funds. This charge is 0.5% of the bid value of the units switched. We will charge at least €12.70 and no more than €31.74 for each fund switch.

Some restrictions may apply to switching out of certain funds. For more details please visit our website

www.irishlife.ie/corporatebusiness

I want to move my PRB into another pension scheme?

The proceeds of the PRB can be moved into the pension scheme of another employer or another PRB approved by the Revenue Commissioners at a later date before retirement.

I want to move my PRB into a PRSA ?

Current pension legislation does not allow transfers from PRBs to PRSAs.

I want to add life cover to my PRB?

Extra life cover may not be provided under a PRB.

I die before retirement?

Under the PRB, if death occurs, the value of the bond at the date when Irish Life is notified of the death will be made available to provide benefits (normally to dependants).



our service
to you

Information on your PRB

While you hold an Irish Life Corporate Business PRB, we will provide you with all the information you need in order to keep up to date on your PRB's progress and make informed decisions on what choices work best for you. In addition to this booklet, containing general information on the workings of your PRB, Irish Life Corporate Business will provide you with the following various sources of information, allowing you to continually monitor your PRB situation:

Benefit statement

Issued annually, this statement provides you with information that you need on your PRB. It outlines all contributions paid, the current value of the bond, the funds your contributions are invested in, normal retirement age and information on any charges which may apply.



Your benefit statement is also available online in the document library of Pension Planet Interactive.

Pension Planet Interactive

www.pensionplanetinteractive.ie



Pension Planet Interactive is an easy-to-use online tool that gives you access to your PRB details. It helps you manage your retirement planning more effectively and efficiently. Pension Planet Interactive gives you the following information:

- key PRB information
- your account value
- your fund selection
- fund price history
- documents such as benefit statements and correspondence in the document library
- retirement planning tools and information about investment choices.

Please see overleaf how to register for Pension Planet Interactive.

Registration for Pension Planet Interactive

Registration for Pension Planet Interactive is very simple. In order to gain access to Pension Planet Interactive, complete the following registration steps online:

Step 1 Get a registration code

You can request a Registration Code by accessing www.pensionplanetinteractive.ie. Enter your bond number, your date of birth and we will send you a Registration Code by post.

Step 2 Registration

Once you have received your Registration Code, access www.pensionplanetinteractive.ie again and confirm your phone number and email address so we can send your password.

Step 3 Set your password

Once you have received your password, you can log in. During the first login you will be asked to change your password and enter the answers to 3 security questions. Pension Planet Interactive will also give you your User Name. Finally, read and confirm the terms and conditions. For any future logins you will only need the User Name and your password. You may be required to answer your security questions if any changes are made!



WARNING: You should not disclose your user id or password to anybody, please keep them safe. Irish Life will never send letters or emails requesting your Pension Planet Interactive login details.

If any of your information is incorrect please contact Irish Life immediately at:

Irish Life Corporate Business
Lower Abbey Street, Dublin 1

Phone: 01 704 1848 or
email: code@irishlife.ie

Website:
www.irishlife.ie/corporatebusiness/



Pension Phone

Telephone: 1850 258 258

While you have an Irish Life Corporate Business PRB, Pension Phone allows you to check your PRB value by phone. If you have a touch-tone phone, you can call Pension Phone at any time between 8am and 10pm, 7 days a week.

When you purchase your PRB, you will be issued with a PIN number which allows you to access your account via Pension Phone. For extra security, you may also change your Pension Phone PIN number at anytime.



Please note that following the purchase of your PRB, it may take a number of weeks for the Pension Phone service to apply.

The contribution, benefit limits and other details set out in this booklet are based on our understanding of the law at the time that this booklet was prepared. When reading this booklet you should consider that the law can change at any time. This booklet is a general guide to these matters only; therefore you should always get expert advice when you make any decisions which may affect your PRB benefits.

Investment updates

Irish Life Corporate Business can provide you with investment fund information every month on how particular funds are performing. These can also be found on our website:

www.irishlife.ie/corporatebusiness/

Complaints

If you have a complaint concerning your PRB, you should contact:

Irish Life Corporate Business
Lower Abbey Street
Dublin 1
Tel (01) 704 1848
Fax (01) 704 1905
E-mail: code@irishlife.ie

If you are not satisfied with the outcome of your complaint you may refer the matter to the appropriate Ombudsman who will decide if the matter falls within their terms of reference. The appropriate Ombudsman may be the Pensions Ombudsman, or certain cases may be dealt with by the Financial Services Ombudsman.

The Pensions Ombudsman can be contacted at:

Pensions Ombudsman
36 Upper Mount Street
Dublin 2
Tel (01) 647 1650

The Financial Services Ombudsman can be contacted at:

Financial Services Ombudsman's Bureau,
3rd Floor,
Lincoln House,
Lincoln Place,
Dublin 2.
Tel: 1890 8820 90

Contact us

phone: 01 704 1848

fax: 01 704 1905

e-mail: code@irishlife.ie

website: www.irishlife.ie/corporatebusiness/

write to: Irish Life Corporate Business, Lower Abbey Street, Dublin 1



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