SAVING MATTERS

Defined Benefit Transfer Report

Alex Sample

Defined Benefit Transfer - Overview

This report has been designed to assist members of Defined Benefit pension schemes, in the event that they are offered a single cash amount (Transfer Value) to transfer from their scheme into a Personal Retirement Bond or similar pension vehicle.

The purpose of this report is to help you understand some of the advantages and disadvantages associated with remaining in your scheme and those associated with accepting the Transfer Value.

This report does not account for all the risks associated with remaining in your scheme, nor does it account for all the risks inherent in taking the Transfer Value.

It is important to remember that this report is for information purposes only and should not be considered advice or guidance. Before making a decision, you should ensure that you speak with me as your professional Financial Advisor.

Defined Benefit Schemes

Defined Benefit pension schemes are a type of occupational pension scheme. In a Defined Benefit scheme, there is typically a commitment to pay each member an income in retirement, depending on your salary and years' service at retirement. At retirement, you may also have an option to exchange some of your income for a once off Lump Sum.

In a Defined Benefit scheme, each member does not have their own fund. Instead, each member is given a promise of a certain level of benefits - and these benefits are paid from the scheme as a whole.

Defined Contribution arrangements differ in that each member has an entitlement to a certain fund based on, amongst other things, the contributions paid, the charges and the investment return.

Transfer Value

Your Defined Benefit scheme may offer you a Transfer Value. This means that you give up the benefits of your Defined Benefit arrangement, in exchange for a single cash amount which is transferred to a certain type of Defined Contribution pension arrangement.

If you decide to accept a Transfer Value you will not be able to subsequently rejoin your Defined Benefit scheme. Although the transfer amount you are offered may look attractive, it is important that you understand exactly what you are giving up in exchange for this cash amount and the risks involved.

This report does not provide any information or guidance on the calculation of the Transfer Value.

This Report

This report is relevant for members of Defined Benefit schemes where:

- You are no longer accruing future service (years). This can be because your scheme is no longer accruing benefits, or because you are no longer an active member of the scheme.
- The scheme is providing you with an income in retirement only i.e. the scheme is not providing you with a lump sum at retirement. However, you may have an option to convert part of your income into a lump sum at retirement.
- You have been offered a Transfer Value in exchange for your Defined Benefit arrangement.

It is important that you take the time to understand the benefits that are available under your Defined Benefit arrangement.

Please refer to the Important Notes section at the end of this report for a full list of the assumptions and terms and conditions relating to this report.

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Features of Defined Benefit Pension Plans and Transfer Values

The below table highlights some of the key aspects associated with a Defined Benefit pension plan and taking a transfer value. Please note that not every aspect of both options are covered here.

Please note that if you take a Transfer Value in exchange for giving up your Defined Benefits, you are replacing the certainty of a Defined Benefit income with a monetary lump sum which is invested in a type of Defined Contribution pension arrangement.

	Defined Benefit Scheme	**Taking a Transfer Value**
Certainty	A Defined Benefit arrangement offers you a promised benefit on retirement. Your expected retirement income is known in advance allowing you to plan your retirement, whilst offering peace of mind.	Taking a Transfer Value transfers your Defined Benefit into a monetary lump sum. You invest this lump sum in line with your risk appetite. Your retirement benefit depends on the future performance of your investment and the charges.
Flexibility	Defined Benefit schemes offer limited flexibility to members. You may be able to: • Exchange some of your income for a lump sum on retirement. • Take your retirement benefits early, if you are in ill-health. • Take retirement benefits early but at a reduced level (subject to any scheme specific conditions). For additional information, consult your scheme.	A Transfer Value offers you more flexibility relative to a Defined Benefit plan. You can: • Decide on the investment strategy, and change it at any stage. • Choose the form your benefits take on retirement, subject to Revenue rules. • You may be able to take benefits earlier than under a Defined Benefit plan.

	Defined Benefit Scheme	Taking a Transfer Value
Benefits on retirement - Lump Sum You may be able to take a lump sum amount when you retire, subject to an overall Lifetime Limit, as follows: • Amounts up to €200,000 are currently tax-free. • Amounts between €200,000 and €500,000 pay tax at 20%. • Amounts above €500,000 are subject to tax at your marginal rate and the Universal Social Charge.	You may have access to a lump sum benefit at retirement if you have made Additional Voluntary Contributions (AVCs) outside of your Defined Benefit Scheme. Alternatively, you may be able to exchange some of your Defined Benefit pension income in return for a lump sum. The taxation of the Retirement Lump Sum will be subject to the limits shown opposite.	At retirement, the accumulated value of your Transfer Value investment allows you to take either: • 25% of your fund as a lump sum, some of which will be tax-free, investing the remainder in either a drawdown product (ARF) or an annuity. • A lump sum based on your salary and service. You must then purchase an annuity with the remainder. In both cases, the taxation of the Retirement Lump Sum will be subject to the limits shown opposite.
Benefits on retirement - Income	With a Defined Benefit scheme, your expected retirement income is known in advance. This income will be taxed based on your tax credits. Income Tax and the Universal Social Charge will apply.	Depending on the level and form of tax-free cash you take, you may purchase an annuity or invest in an Approved Retirement Fund (also known as an income drawdown product). With an annuity, your retirement income depends on your fund value and the annuity rate at the time of purchase. This income cannot be altered. Income Tax and the Universal Social Charge apply. • Annuity rates quoted are based on Zurich Life's current annuity basis as at the date of this report. Actual annuity rates can vary significantly. An Approved Retirement Fund keeps your money invested throughout your retirement. As a result, your fund will go up and down in line with the performance of your chosen fund(s). • Regular withdrawals will provide you with a retirement income. • These withdrawals will be subject to Income Tax and the Universal Social Charge (and PRSI up to age 66). • This withdrawal income is not guaranteed and your fund may exhaust during retirement.

	Defined Benefit Scheme	Taking a Transfer Value
Health	The benefits payable on death tend to differ both before and after retirement and between schemes. These benefits are detailed in the scheme rules which you should consult prior to making a decision.	If you are in poor health, and have a lower than average life expectancy, you may prefer to take a transfer value. On retirement, you may subsequently invest in an Approved Retirement Fund (ARF), or purchase an annuity. • With an ARF, the fund could pass on to your spouse / estate in the event of your death. • With an annuity, an ill-health annuity may be available to you.
Investment risk	A Defined Benefit scheme takes all of the investment risk. Individual member's benefits do not fall during periods of poor returns, nor do they rise during periods of strong investment returns.	Taking a Transfer Value means your retirement benefits will depend on the investment returns your transfer achieves. Good performance leads to fund growth while poor returns could lead to a fall in benefits. Investing in an Approved Retirement Fund means you retain investment risk throughout your retirement.
Risk - Financial Strength	A Defined Benefit scheme relies on the strength of the scheme and on the employer covenant to pay benefits for all members. Longer term, poor investment returns could lead to the inability to pay member's benefits in full.	A Transfer Value is normally passed to a Personal Retirement Bond or to a Defined Contribution pension. This transfers counterparty risk to an insurance company or Defined Contribution scheme.

It is important that you familiarise yourself with your Defined Benefit scheme before making any decisions. Your scheme may offer other benefits not covered here e.g. death benefits; your individual circumstances will be relevant to the decision you make.

The information provided above does not constitute advice. Your individual circumstances are considered overleaf.

Your Report as at 25/04/2024

Your Details

Name :	Alex Sample	Spouse'/Partner's Name :	Aoife Sample
Date of Birth :	01/01/1972	Partner Date of Birth :	01/01/1974
Current Age:	52	Current Age :	50
Years until Retirement :	12		

Defined Benefit Information

Date Information Provided to you:	21/04/2024
Scheme Retirement Age:	65
Income in Retirement (without annual increases up to retirement):	€18,000.00 p.a.
Guaranteed Period:	0 years
Spouse's Percentage:	25.00%
Escalation in Retirement:	1.00% p.a.

You have stated that you expect your income to increase by 1.00% p.a. between now and your retirement. As a result, your expected income in retirement is €20,283 p.a.

Transfer Value

You have been given the option of a Transfer Value in exchange for giving up your Defined Benefit arrangement outlined above.

Transfer Value Offered:	**€360,000.00**

It is important that the benefit information, provided by you, is accurate. This report is based on a series of assumptions, in particular relating to growth rates and annuity rates. This report does not cover all aspects of accepting a transfer value. Please speak to me, your professional Financial Advisor if you require further information on the various advantages, disadvantages and conditions relating to each option.

The remainder of this report looks at the following:

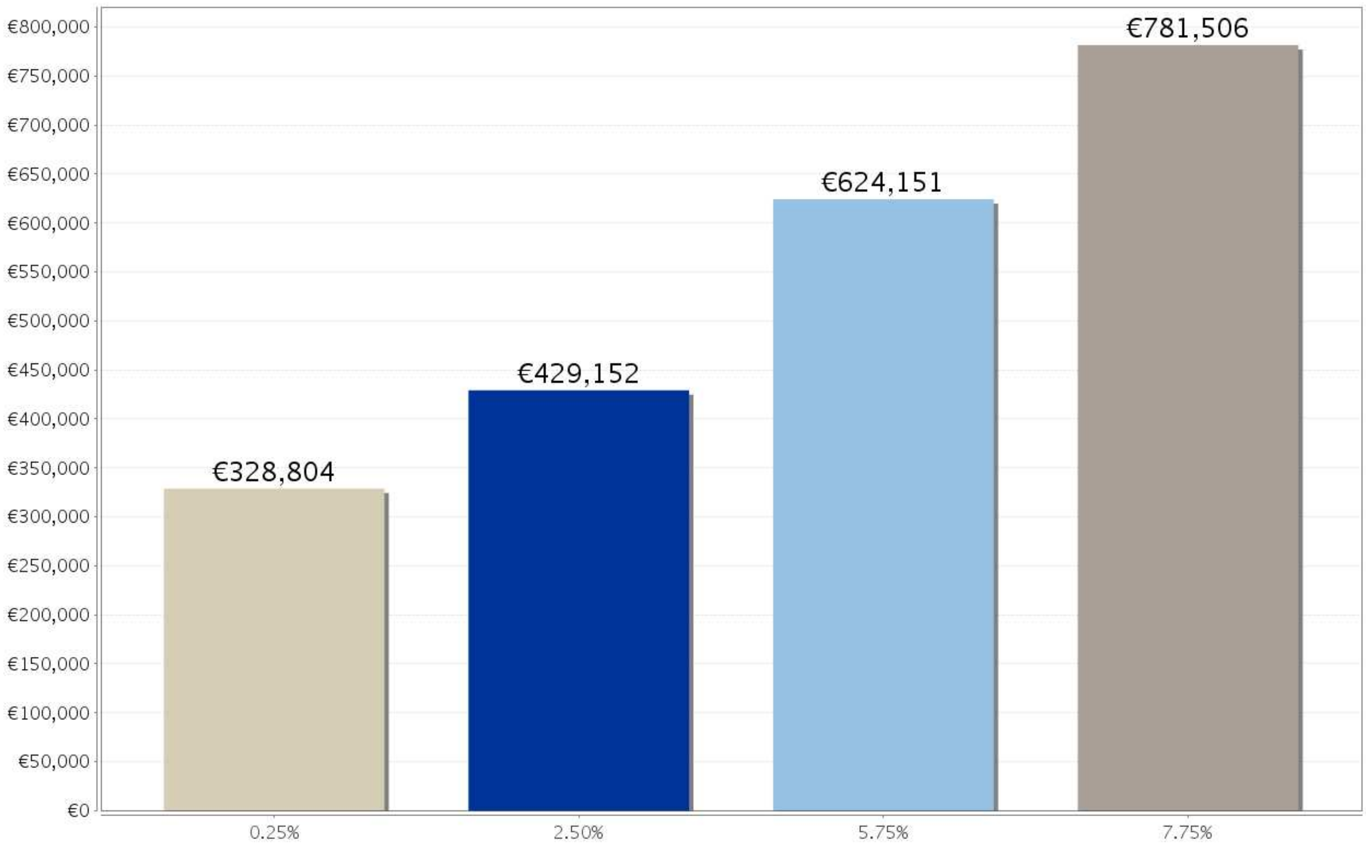
1. How your Transfer Value could perform leading up to retirement, based on a series of assumed growth rates.
2. What you could do with your fund at retirement, comparing these options with the income from your Defined Benefit scheme.

Your fund value at retirement

For comparison purposes, we have assumed that you accept the Transfer Value offered to you (€360,000.00), and subsequently invest this amount until retirement (i.e. for the next 12 years).

Illustrated below is your fund value at retirement, based on four investment return scenarios.

Potential Retirement Fund Values				
Gross Investment Return (per annum)	0.25%	2.50%	5.75%	7.75%
Illustrated fund at NRA	€328,804	€429,152	€624,151	€781,506



The above indicates that higher fund values are achieved from higher returns. However, investing in funds with higher expected investment returns increases the investment risk you take on.

In the following sections we look at your options at retirement (purchasing an annuity or investing in an Approved Retirement fund) and see how they might compare to the benefits under your Defined Benefit scheme.

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Retirement Option 1: Purchase an Annuity

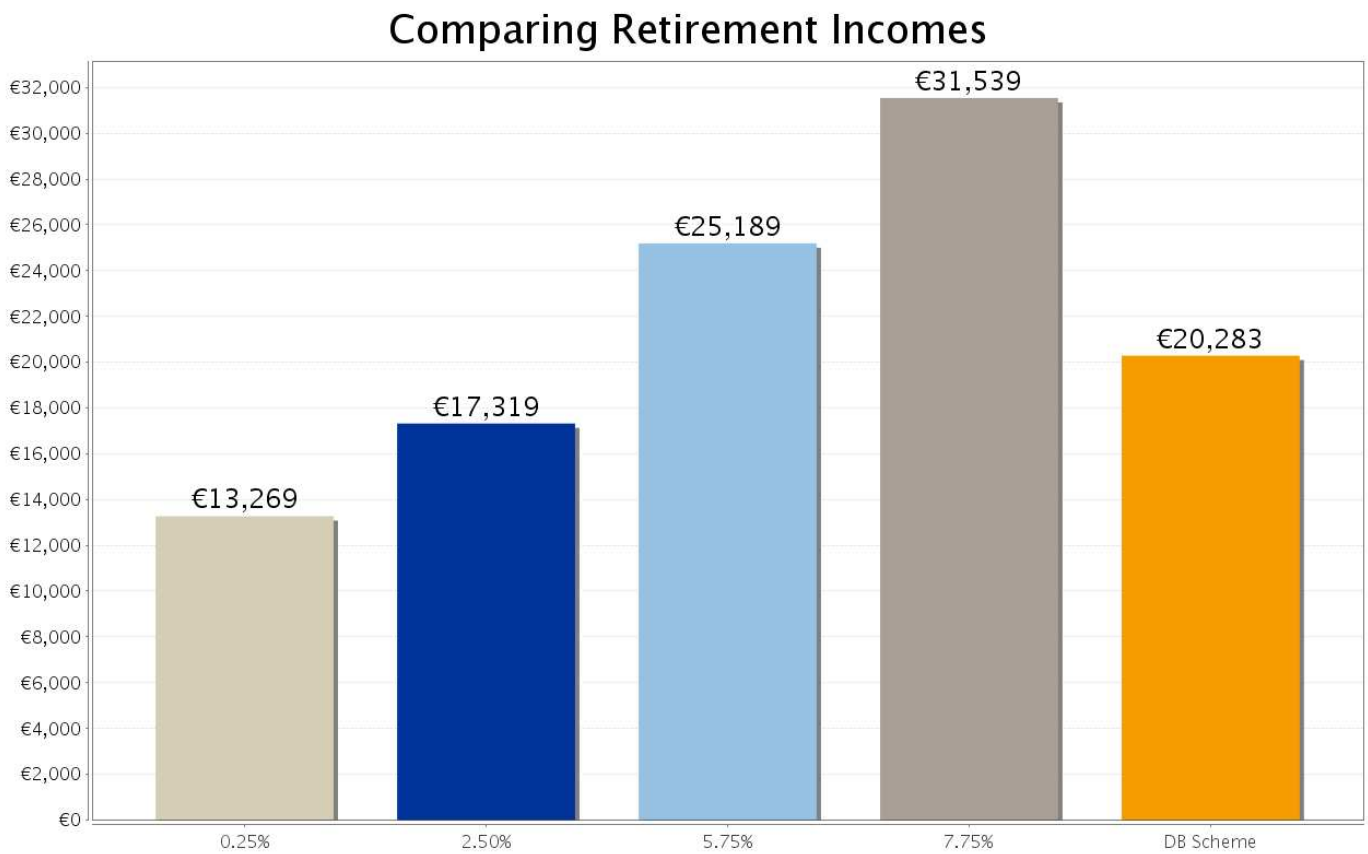
One of your options on retirement could be to purchase an annuity. An annuity provides you with an income for your lifetime and is secured by the annuity provider.

From the information provided by you, you expect your Defined Benefit income to increase at 1.00% per year throughout your retirement. In many Defined Benefit schemes, the actual escalation is not guaranteed, but is instead at the discretion of the trustees.

Retirement Age :	65	Spouse's Percentage :	25.00%
Guaranteed Period :	0	Escalation Rate :	1.00%

Potential Retirement Incomes

Gross Investment Return (per annum)	0.25%	2.50%	5.75%	7.75%	DB Scheme
Illustrated fund at NRA	€328,804	€429,152	€624,151	€781,506	N/A
Illustrated Income in Retirement	€13,269 p.a.	€17,319 p.a.	€25,189 p.a.	€31,539 p.a.	€20,283 p.a.



Please Note: In some instances, the income from a Defined Benefit pension could be considered very valuable in comparison to the equivalent income from purchasing an annuity at retirement.

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Retirement Option 1: continued

We provide you with results based on 0% escalation in retirement to allow you to compare with the results on page 8.

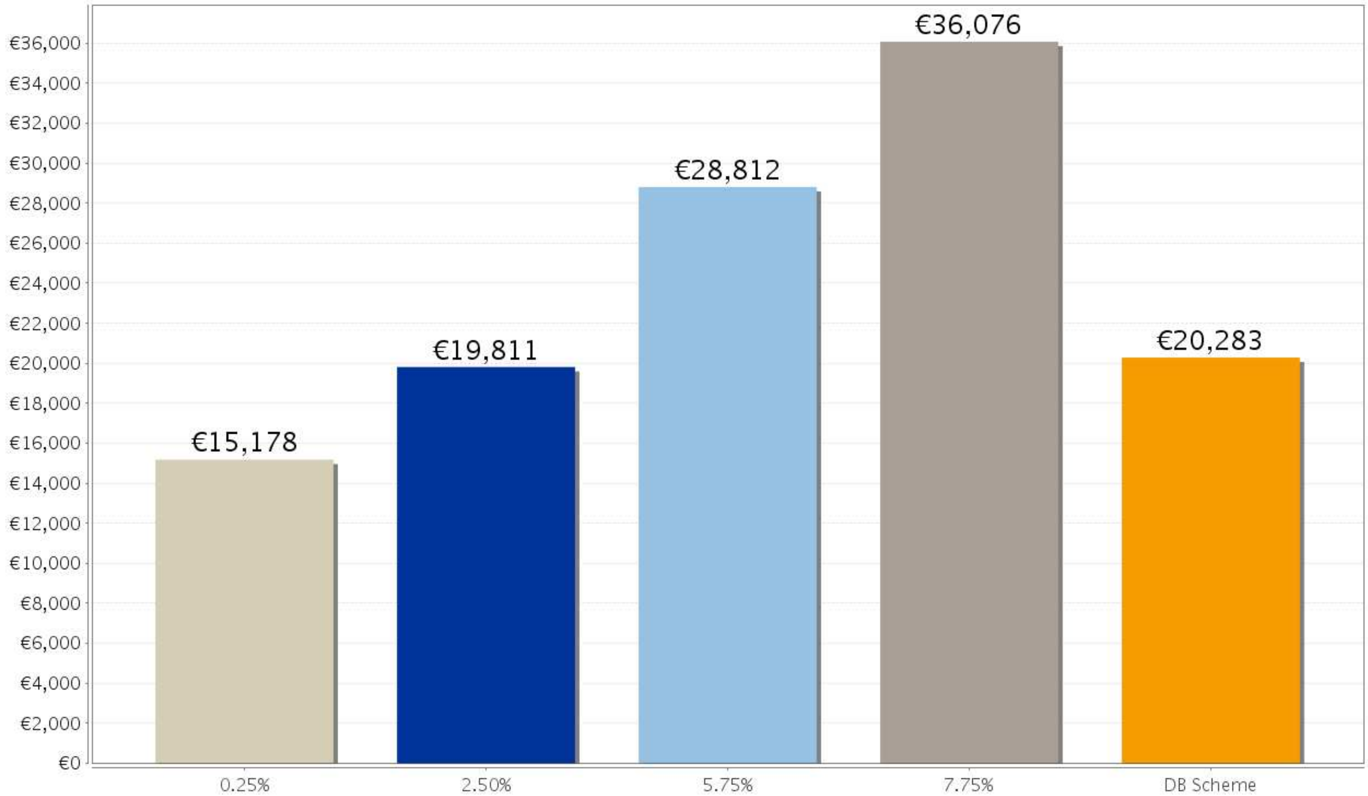
This is because, as mentioned previously, the actual escalation in many Defined Benefit schemes is at the discretion of the trustees and hence, is not always guaranteed. What you expect your income to increase by in retirement may not turn out to be the case.

Retirement Age :	65	Spouse's Percentage :	25.00%
Guaranteed Period :	0	Escalation Rate :	0.00%

Potential Retirement Incomes

Gross Investment Return (per annum)	0.25%	2.50%	5.75%	7.75%	DB Scheme
Illustrated fund at NRA	€328,804	€429,152	€624,151	€781,506	N/A
Illustrated Income in Retirement	€15,178 p.a.	€19,811 p.a.	€28,812 p.a.	€36,076 p.a.	€20,283 p.a.

Comparing Retirement Incomes



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Retirement Option 2: Invest in an Approved Retirement Fund

An alternative to purchasing an annuity is to invest in an Approved Retirement Fund (ARF), also referred to as an income drawdown product.

With an annuity, your income is secured throughout your retirement, regardless of how long you live.

An ARF has a number of key aspects which differ from an annuity:

- The value of your fund will go up and down in line with the investment performance of your chosen funds.
- The income you take will reduce the value of your fund. As a result you may want to ensure that your fund does not run out.
- On death, the value of your fund (net of any tax payable) can be passed on to your spouse or estate.

With that in mind, we provide information on:

A. Your life expectancy at retirement;

B. How long your fund could be expected to last for in retirement; and

C. Deciding on an income

It is important that the benefit information, provided by you, is accurate. This report is based on a series of assumptions, in particular relating to growth rates and annuity rates. This report does not cover all aspects of accepting a transfer value. Please speak to me, your professional Financial Advisor if you require further information on the various advantages, disadvantages and conditions relating to each option.

A. Life Expectancy

Your life expectancy is a key consideration in deciding what to do with your retirement fund.

The figures provided below are projections for illustrative purposes only. Life expectancy depends on a number of factors including your current health, personal and family medical history.

The below figures indicate how long you are expected to live for, from the date you retire. These are based on Zurich Life's current mortality information.

Illustrative life expectancy from retirement age

Alex Sample
At retirement, you are expected to live (approx.) a further 24 years

Aoife Sample
At retirement, you are expected to live (approx.) a further 26 years

B. How long your ARF can last

Your Defined Benefit scheme should pay you an annual income of €20,283 in retirement. Highlighted below is how long your ARF could support this income for before your fund exhausts.

From the information provided by you, you expect your Defined Benefit income to increase at 1.00% per year throughout your retirement. In many Defined Benefit schemes, the actual escalation is not guaranteed, but is instead at the discretion of the trustees of the Defined Benefit pension scheme.

Income in retirement :	€20,283 p.a.
Assumed escalation :	1.00%

When is your fund expected to exhaust?

Gross Investment Return (per annum)	0.25%	2.50%	5.75%	7.75%
Illustrated fund at NRA	€328,804	€429,152	€624,151	€781,506
Years until Exhaustion	14	22	Not Expected	Not Expected

Since the actual escalation is not always guaranteed, we provide you with results based on 0% escalation in retirement to allow you to compare with the above results.

Income in retirement :	€20,283 p.a.
Assumed escalation :	0%

When is your fund expected to exhaust?

Gross Investment Return (per annum)	0.25%	2.50%	5.75%	7.75%
Illustrated fund at NRA	€328,804	€429,152	€624,151	€781,506
Years until Exhaustion	15	25	Not Expected	Not Expected

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C. Deciding on an income

Your fund value will reduce as you take a regular income.

The above comparison assumes an annual income of €20,283. It is clear that the higher the returns achieved on your investment, the longer this income can be sustained for and vice versa.

Depending on your personal circumstances you may require an income higher or lower than this. Requiring an income less than this amount could lead to your total fund value decreasing to a lesser extent in retirement. It is important to note that if you decide to take a transfer value, you may not need to decide on the product and income (if applicable) you wish to take in retirement now. Before making a decision, you should ensure you speak with me as your professional Financial Advisor.

If you wish to take a percentage of your fund as a lump sum at retirement, this will reduce the amount subsequently available to invest in an annuity or ARF.

If you decide to opt for a withdrawal/income which does not escalate, you are at risk of eroding the purchasing power of your money in retirement.

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Important Notes:

The above values are produced as at 25/04/2024.

All figures are based on the information provided by you. Any incorrect information could result in significantly different values being produced.

The values given are estimates only. Actual results may be more or less than illustrated.

This report does not constitute advice from Zurich Life. There are a number of important issues to consider when deciding to transfer out. It is important that you review your overall situation and retirement needs with your Financial Advisor prior to making a decision.

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No allowance has been made for the State Pension in any figures provided.

If you transfer out of your Defined Benefit scheme, you cannot re-enter. Your Defined Benefit scheme may be wound up or the rules may be amended between today and your retirement date.

It is assumed that your Defined Benefit provides only an income on retirement and does not offer other benefits, for example a children's pension.

The figures above do not account for any Additional Voluntary Contributions or other Defined Contribution assets you may hold.

In calculating your Defined Benefit income at retirement, an escalation rate of 1.00% p.a. has been allowed for and a term of 12 years has been used. This term is based on the difference between the date your scheme information was provided and your retirement date.

In calculating fund values at retirement a term of 12 years has been used. This term is based on the difference between today's date and your Normal Retirement Age.

An allocation rate of 100% and an annual management charge of 1.00% are assumed in all projected figures.

Actual investment growth will depend on the performance of the underlying fund(s) you're invested in. This growth may be different to the scenarios illustrated.

Please note that current, gender neutral annuity rates are used in this illustration. These rates are dependent on the market conditions of the day and can vary greatly.

The annuity rate is based on a Joint Life Annuity (25.00%), payable monthly in advance, with no guaranteed period and 2% commission. The annuity rate used is 4.04% where escalation is 1.00%. The annuity rate used is 4.62% where escalation is 0%.

It is assumed that ARF withdrawals are taken at the start of every year.

For illustrative purposes the figures provided assume that no tax free lump sum will be taken at retirement from the projected fund values.

Guaranteed period is the minimum number of years your pension will be paid for in retirement, even if you pass away.

Spouse's percentage is the percentage of your pension your spouse/partner can expect to receive if you pre-decease them.

Escalation in retirement is the annual increase you expect to be applied to your pension in retirement.

Life expectancy figures are based on Zurich Life's current mortality information; we have assumed that your health status is normal.

The figures have been calculated using whole years and do not allow for any future contributions being made.

Income tax, PRSI, the Universal Social Charge may apply to any payments made to you.

Please note that there is no interpretation of Revenue requirements present in this report and it is based on current legislation which may change.

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