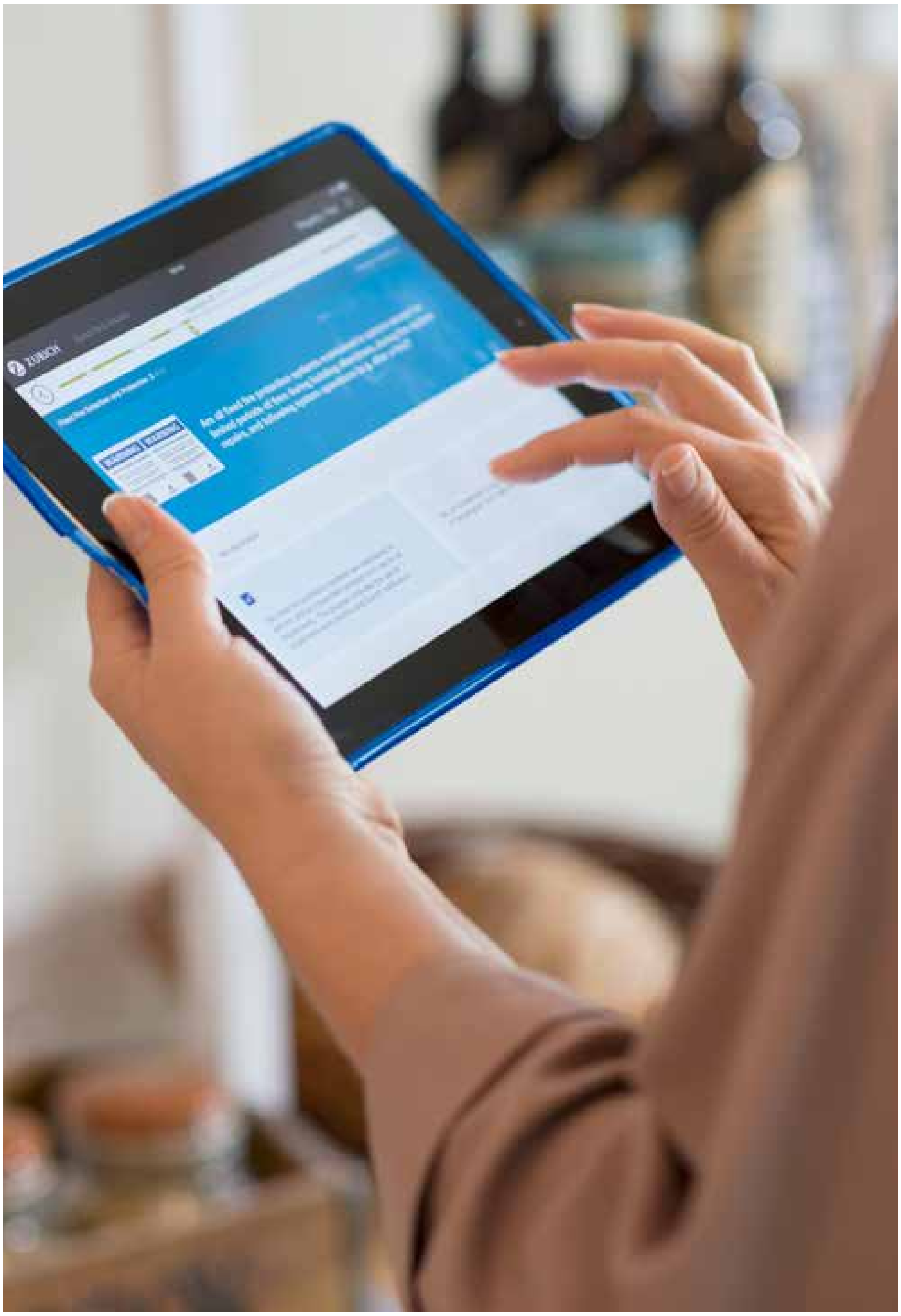
Defined Contribution Pension Plan

Employee Brochure

This brochure describes your Defined Contribution Pension Plan, the aim of which is to help you provide financially for your retirement. This plan is arranged either as an Executive Pension Plan, or as part of a Group Pension Scheme.

The contributions made by you and your employer build up your Retirement Fund to provide benefits for you (and your dependants) in retirement. Your Retirement Fund is held under trust on your behalf.

If selected by your employer, the scheme can also provide cover in the event of your death prior to retirement, either as part of the scheme or under a separate group risk policy. Your employer may also provide cover in the event that you become disabled before retirement age.

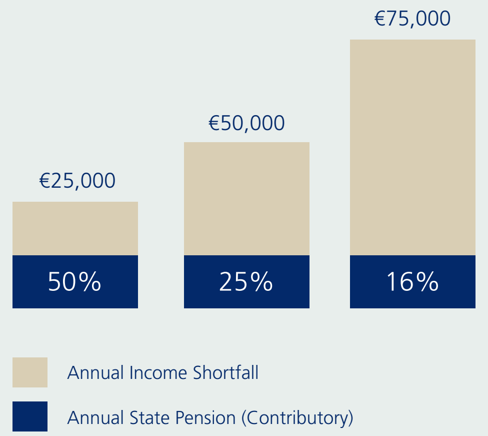


Surely the State will provide me with a pension in retirement!

Yes, but relying solely on the benefits provided by the State to give you an income in retirement could be a costly mistake. As the bar chart below shows, the more you earn the smaller the portion of your pre-retirement earnings the State Pension will replace. The bar chart is based on the maximum rate of State Pension payable in respect of an individual.

It is important to realise that the State Pension does not become payable until age 66 – so if you plan to retire at age 60, for example, you will not receive any benefit payments for a further six years. And, plans are already being put in place to extend the qualification age for the State Pension to 67 in 2021 and 68 in 2028.

The Earnings Gap In Retirement



Note: Based on the State Pension (Contributory) of €243.30 per week.

Source: Zurich Life, June 2018.

A Defined Contribution Pension is very tax-efficient

You are entitled to income tax relief on any contributions that you make personally to your Defined Contribution Pension Plan. However, you do not get relief against PRSI or the Universal Social Charge. Your employer deducts your contributions directly from your salary **before** income tax, so that you receive immediate tax relief at your marginal rate, as Table 1 shows. The tax savings below are subject to age-related Revenue limits on your personal contributions as presented in Table 2.

Table 1

	Gross Monthly Contributions	Net Monthly Contributions	Tax Savings
40% Tax Payer	€200	€120	**€80**
20% Tax Payer	€200	€160	**€40**

Table 2

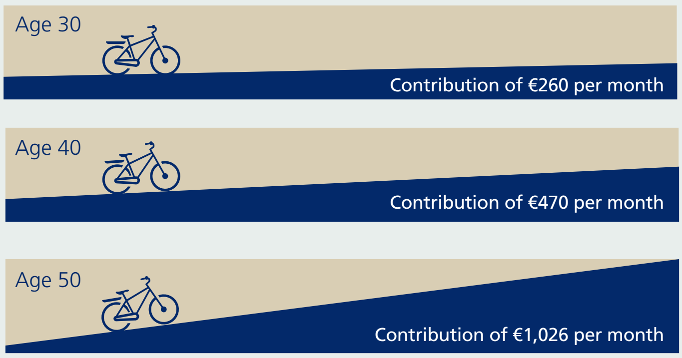
Age At Your Birthday During The Relevant Tax Year	% of Net Relevant Earnings*
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 and over	40%

* Subject to maximum earnings of €115,000 under current legislation.

Why should I join the scheme now?

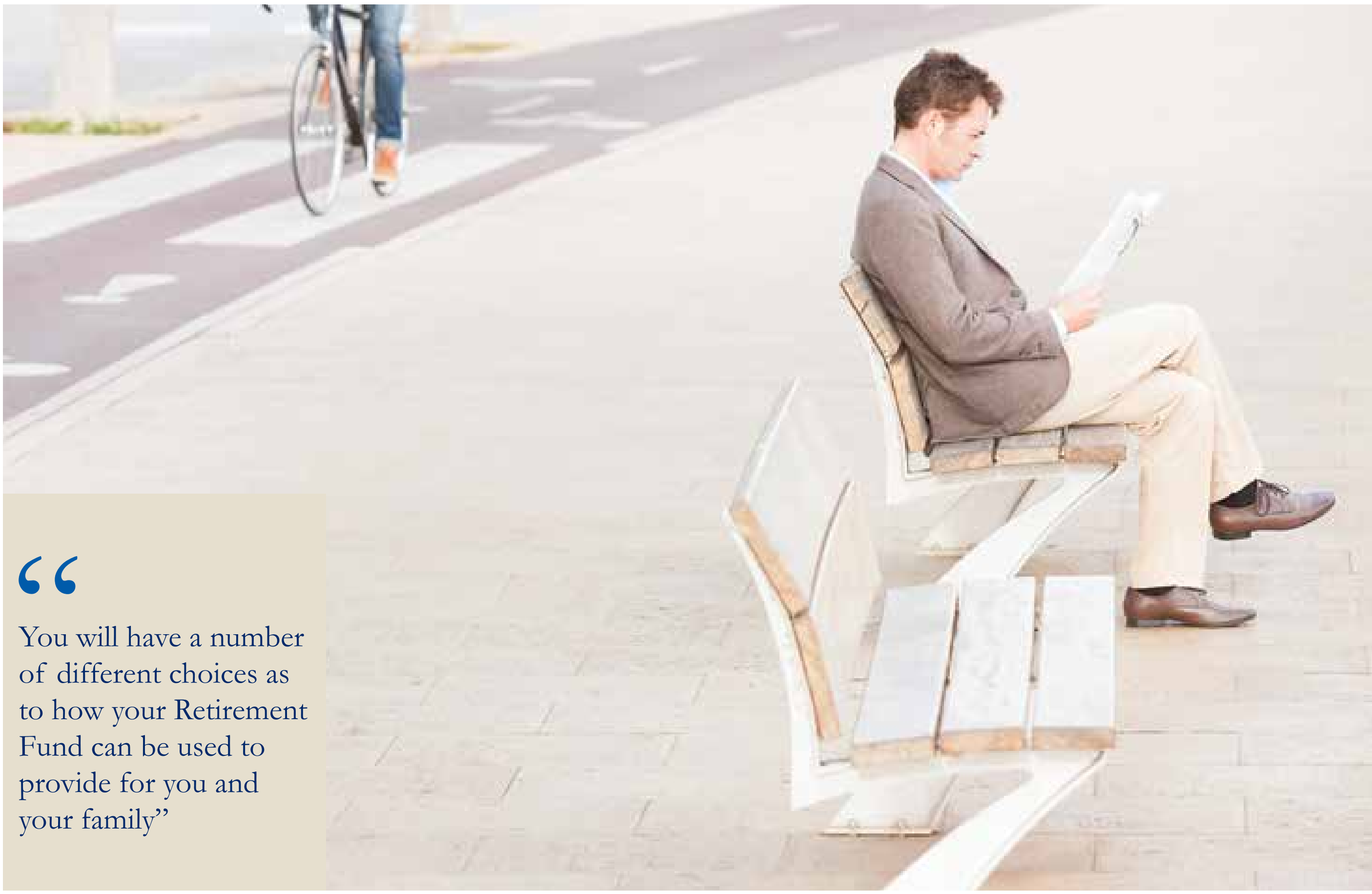
As you get older the number of contributions you can make, and the timescale over which your Retirement Fund can accumulate reduce. The illustration opposite shows how even a small delay in starting your retirement planning will result in the need for significantly higher monthly contributions as you get older.

Target Retirement Income of €10,000 p.a. (in today's money) at age 65



Assumptions: These figures assume a start date of 1st June 2018 and allow for pension levy deductions in 2015; inflation of 2.5% p.a.; contribution escalation of 2.5% p.a.; gross investment return of 5% p.a.; investment in a Retirement Advice Plan with an allocation rate of 95% and an Annual Management Charge of 1.5% (420 monthly contributions in the first example, 300 monthly contributions in the second, etc.). The Annuity rate at retirement assumes: 1.5% escalation, a five year guarantee, and is payable monthly in advance. The actual Annuity rate will depend on the selection of dependant's pension, guarantee period and the escalation rate as well as interest rates prevailing when the Annuity is purchased.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.
Warning: The value of your investment may go down as well as up.
Warning: Benefits 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.



"You will have a number of different choices as to how your Retirement Fund can be used to provide for you and your family"

Can I make additional contributions to boost the value of my Retirement Fund?

Yes, you should always consider making additional contributions to your Retirement Fund. This can be done through Additional Voluntary Contributions (AVCs). The total contributions you can make to both AVCs and your Defined Contribution Pension Plan are subject to the Revenue limits on the previous page (see Table 2).

AVCs will increase the value of your Retirement Fund and enhance your retirement benefits.

Pension calculator

Why not take a look at the Pensions Calculator on our website **www.zurich.ie** to see the level of total contributions that you can make?

What if I want to retire early?

You can take retirement benefits from age 50 with your employer's consent. However, your Retirement Fund and the benefits on early retirement will be less than if you continue to Normal Retirement Age due to:

- fewer contributions made;
- less time for your Retirement Fund to accumulate;
- the higher cost of buying an Annuity at a younger age, if you choose this option.

What happens if I die before retirement?

- The value of your accumulated Retirement Fund will be available to provide benefits for your spouse/dependants; and
- life insurance cover may provide a lump sum death benefit and a spouse/dependant's pension if included with your Zurich Life Group Pension Scheme.

What will the scheme provide for me at retirement?

When you retire you will have a number of different choices as to how your Retirement Fund can be used to provide for you (and your dependants) in retirement. You do not have to make these choices until you reach retirement age. However, it is advisable at this stage to have some idea of the level of income you will need in retirement and to monitor your pension over the years to ensure that you are on target to achieve this figure.

You will be entitled to a **lump sum benefit**, all or part of which will be payable **tax-free**. You will have a choice between taking 25% of the accumulated fund or a lump sum based on your earnings and service with your employer. On the latter basis, if you have 20 or more years' service with your employer at your Normal Retirement Age, you will be entitled to take 150% of your final earnings as defined under Revenue rules. If you opt to take the lump sum on this basis you will be obliged to purchase an **Annuity** with the balance (see later in this brochure).

If your lump sum benefit is 25% of your accumulated fund, you can use the balance to provide you with a guaranteed regular income through purchasing an Annuity, or it can be invested in an **Approved Retirement Fund (ARF)**, subject to certain criteria.

How much of the lump sum benefit can be taken tax-free?

Under current legislation the first **€200,000** of the lump sum benefit is tax-free. Any lump sum payable in excess of €200,000 but less than €500,000 is subject to tax @ 20%. Any lump sum payable in excess of €500,000 is subject to marginal rate income tax, PRSI and USC.

Note: This assumes there is adequate money in your fund to allow for a €200,000 lump sum and the rules outlined on the previous page allow it.

What is an Annuity?

A basic Pension Annuity is a product offered by life assurance companies, including Zurich Life, which provides a guaranteed income for your lifetime. The balance of your Retirement Fund, after you have taken your lump sum benefit, is paid over to the life assurance company, which in turn guarantees to pay you an income, expressed as a percentage of the fund.

This percentage rate will depend on a number of factors including your age/life expectancy and interest rates prevailing at the time of the annuity purchase. Other factors include your requirements regarding what level of pension income, if any, is payable to your spouse on your death, at what level (e.g. 3% p.a.) you will want your pension income to increase, and what minimum payment period (e.g. five years) you will want your pension payable should you die early in retirement.

What is an ARF?

An ARF is an investment product which, put simply, gives you more freedom to choose how best to use your Retirement Fund. You can choose from a large number of investment funds and from a number of ARF providers, including Zurich Life. You can make regular withdrawals from your ARF to provide you with a pension income, so you are free to withdraw your money at any time.

Before you can invest in an ARF, you must have a guaranteed pension income of at least €12,700 p.a. – or, have invested €63,500 in an Approved Minimum Retirement Fund (AMRF)*. An AMRF is similar to an ARF with the exception that only 4% p.a. can be withdrawn from the fund (subject to tax). An AMRF becomes an ARF at age 75 or on earlier death.

The funds remaining in your ARF are available to your dependants after your death. This can be appealing if you want your loved ones to benefit from the contributions made by you and your employer to your pension plan through your working life.

* Source: Zurich Life, June 2018.

Taxation of Annuities and ARFs/AMRFs

Withdrawals from an ARF and income from an Annuity are subject to PAYE at source and the Universal Social Charge. However, the normal tax credits and income exemption limits apply. Withdrawals from an ARF are also subject to PRSI up to age 66. A regular annual income of 4% of the AMRF fund may be withdrawn. The tax treatment is the same as with an ARF.

If you do not withdraw up to 4% of the value from an ARF each year, you will be taxed on this amount under an "imputed distribution" taxation clause.

On death, any funds held within an ARF or AMRF are payable to your estate. The tax treatment of these funds will depend on the person to whom the funds are bequeathed. The funds can pass to an ARF in the name of your spouse without any tax liability arising. Withdrawals from your spouse's ARF will be subject to tax, and the "imputed distribution" clause also applies.

Giving you more:

Clientcentre @ www.zurich.ie

- View details of your pension account on a secure password protected website.
- View the current value of your pension account.
- Look up your scheme documents online.

For further information on your Group Pension Scheme talk to your Employer or Scheme Advisor.

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