The National Federation of Voluntary Bodies

Pension & Life Assurance Scheme

Approaching Retirement Booklet

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This booklet is based on tax and pension law applying at March 2018, which is subject to change in the future.

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APPROACHING RETIREMENT

Introduction

As your retirement approaches, now is an ideal time to review your financial position and to see what your likely retirement benefits and options will be.

Depending on your particular circumstances the options available to you at retirement may include one or more of the following:

- A tax free lump sum
- An additional pension for you and your dependants on your death in retirement
- An Approved Retirement Fund (ARF)/ Approved Minimum Retirement Fund (AMRF)
- Taxable cash

This booklet provides you with detailed information on the different options currently available which will hopefully help you plan for your retirement.

If you have any queries or would like more information on the different options currently available to you please contact your New Ireland Pensions Consultant (see page 12).

ARE YOU READY FOR RETIREMENT?

In order to plan now for for your retirement you should consider a number of factors including the following:

- What will be the estimated value of my fund by the time I retire?
- How much of the fund will I be able to take as a tax free lump sum?
- Will I qualify for the State Pension and if so from what age?
- What income will I have when I retire?
- Would I like to take part of my fund as a taxable lump sum?
- Would I like to have a fund (ARF) that I could draw on for non routine expenses when I retire e.g. holidays, changing car.
- Do I need to review where my fund is invested?
- Should I be paying more into my pension?

Additional Voluntary Contributions allow you to add significant contributions to your Personal Accumulation Account as set out below. As you approach retirement - and depending on your personal circumstances it may make sense to contribute more to your retirement savings to boost the fund that will be available to you at retirement.

The maximum pension contributions that you will be entitled to claim income tax relief on, in any tax year, are based on your age and total earnings. These limits are set out in the table below An earnings cap of €115,000 applies to pension contributions for tax relief purposes.

Age	Maximum Pension Tax Deductible Limits (% of Earnings that you can contribute to your pension and obtain tax relief)
Under 30 years	15%
30 to 39 years	20%
40 to 49 years	25%
50 to 54 years	30%
55 to 59 years	35%
60 and over	40%

Each year, you also have the opportunity of maximising your AVC payment for the previous tax year. Before the end of October you can make a once off AVC payment and claim tax relief for the previous year (up to the maximum allowable for that year) provided you are still in the same employment*.

It is important to note that tax relief is not automatically granted, you must apply to and satisfy Revenue requirements. It may also be necessary to restrict your contributions so as to ensure your total benefits remain within the limits specified by the Revenue Commissioners.

INVESTMENT OPTIONS

Investment decisions

A very important part of your retirement planning process is to review your own circumstances now to establish how you are likely to take your retirement benefits when you retire.

The options available to you at retirement may include one or more of the following:

- A tax free lump sum
- A pension for you and your dependants
- An Approved Retirement Fund (ARF)/ Approved Minimum Retirement Fund (AMRF)
- Taxable cash

Depending on how you plan to take your retirement benefits and your attitude to risk, you should also review your investment strategy and “match” this with the most suitable investment fund or funds between now and your retirement.

FUND CHOICE

The following is a list of the different funds into which pension contributions can be invested. The future performance of any of the funds will depend on the particular market conditions and the underlying value of each fund can fall as well as rise.

Lifestyling Funds:

- Passive IRIS Fund – Default Fund[1]
- Pension Indexed Eurozone Long Bond Fund[1]

Very Low Risk Funds

- Pension Cash Fund[2]

Low to Medium Risk Funds

- Elements Fund[3]

Medium Risk Funds

- BNY Mellon Global Real Return Fund[4]

Medium to High Risk Funds

- Pension Managed Fund[5]
- Pension Ethical Managed Fund[5]

[1] A fund related charge of 0.55% per annum applies to this fund.
[2] A fund related charge of 0.25% per annum applies to this fund.
[3] A fund related charge of 0.75% per annum applies to this fund.
[4] A fund related charge of 1.00% per annum applies to this fund.
[5] A fund related charge of 0.65% per annum applies to this fund.

FURTHER INFORMATION

Details of each fund are outlined in a separate Investment Choice Members Booklet.

IMPORTANT

The Trustees have no liability in respect of the pension funds in which the contributions are invested or the performance of those funds.

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.
Warning: If you invest in these funds you may lose some or all of the money you invest.

OPTIONS AT RETIREMENT

When you retire, there will be a number of options available to you both in relation to the lump sum that you can take and also what you can do with the balance of your Personal Accumulation Account.

One of the most attractive features of the scheme is the lump sum that you can take when you retire. You have the option of taking the lump sum in one of two ways:

	Option A
Lump Sum	If you have completed at least 20 years service with the Federation by the time you reach your Normal Retirement Date, you can take a lump sum of up to 1.5 times your Final Salary.* A reduced lump sum will be payable if you retire early or have less than 20 years service completed by your Normal Retirement Date.
Balance of Fund	The balance of your Personal Accumulation Account (except any AVCs you have paid) must be used to purchase an income for life (a pension)* for you and your dependents.

	Option B
Lump Sum	25% of the accumulated fund at the date you retire*
Balance of Fund	Subject to certain conditions being met, you can invest the balance of the fund in an Approved Retirement Fund (ARF)† or take the balance as Taxable Cash

*The maximum lump sum you can take tax-free is subject to a lifetime limit of €200,000. Any amounts between €200,000 and €500,000 will be subject to income tax at the standard rate (currently 20%). Any amounts in excess of €500,000 will be taxed at your marginal rate and will also be subject to PRSI and Universal Social Charge.

†On the following pages, we provide more information regarding these options.

PENSION OPTION

If you have taken a lump sum of up to 1.5 times your final salary (Option A on page 6) then the balance of your Personal Accumulation Account (excluding AVCs) must be used to purchase an income for life (a pension).

There are a number of options available to you. The type of pension you decide to buy and the annuity rates (cost of buying a pension) applicable when you retire will determine the level of income you can receive in retirement. For example, you may decide to use your fund to purchase an income for life (a pension) with one or more of the following options:

Level pension

Your income for life (pension) is fixed at the outset and does not increase each year.

Escalating (increasing) pension

Your income for life (pension) increases annually by a fixed amount, for example 3% per year. An escalating pension will provide a lower level of income at the outset compared to a level pension.

Guarantee period

Your income for life (pension) can be guaranteed to be paid for either 5 or 10 years. If for example you die during a 5 year guarantee period, then the remaining income payments (within the guarantee period) will be paid to your estate.

Example:

Mr. Smyth retires at age 65 and purchases an income for life (a pension) of €5,000 p.a. with a 5 year guarantee period. He dies on his 66th birthday. The remaining income (pension) payments of €20,000 due for the balance of the guarantee period (4 years) will be paid to his estate as a lump sum.

Spouse's Pension:

If you are married, you may want to consider purchasing a pension with an attaching spouse's pension. This means that following your death in retirement in income for life (a pension) will be paid to your spouse for the remaining period of their lifetime. However, should your spouse predecease you then no spouse's pension will be paid.

Advantages of Purchasing an income for life (a pension)

Purchasing an income for life (a pension) provides you with security of income during your retirement years.

In particular, purchasing an income for life (a pension) is a good decision if:

- your major priority in retirement is to secure an income for life rather than accumulating assets to pass on to your dependants/next of kin.
- you are relatively cautious about the risks of stock market investments.

Disadvantages of purchasing an income for life (a pension)

- Once you purchase an income for life (a pension), you are tied into it and cannot cash it in or swap out of it. Your level of pension income is not flexible. It is fixed, or indexed and will not change over time.
- If you die early in retirement your income for life (pension) will cease and will not pass on to your dependants, unless you selected that option at the outset.

Will my Pension be taxed?

Your income for life (pension) will be subject to income tax and USC under the PAYE system. These taxes will be deducted at source based on your personal taxation position. There is no liability to PRSI.

What happens to my Pension on my death?

This will depend on the type of pension you purchase at retirement, whether you purchased a pension with a guaranteed period or with an attaching spouse's pension.

Sample Illustrations

Male Life, Age 65 with a Personal Accumulation Account of €100,000		
Pension	**50% Annual Spouse's Pension**	**Level /Escalating**
€4,354	No	Level
€3,314	No	Escalating at 2%
€3,774	Yes	Level
€2,744	Yes	Escalating at 2%

A 5 year guarantee period is assumed. Where a spouse's pension is included, she is assumed to be aged 62.

Female Life, Age 65 with a Personal Accumulation Account of €100,000		
Pension	**50% Annual Spouse's Pension**	**Level /Escalating**
€3,924	No	Level
€2,934	No	Escalating at 2%
€3,704	Yes	Level
€2,744	Yes	Escalating at 2%

A 5 year guarantee period is assumed. Where a spouse's pension is included, he is assumed to be aged 68.

These figures are for illustration only and are based on annuity rates as at March 2018.

APPROVED RETIREMENT FUND (ARF) OPTION

If you have taken a lump sum of 25% of your accumulated fund (Option B on page 6) then provided you meet certain conditions you can invest the balance of your fund in an Approved Retirement Fund (ARF) or take the remainder of your fund as Taxable Cash.

What is an Approved Retirement Fund?

An Approved Retirement Fund (ARF) is a personal retirement fund that allows you to keep your money invested after retirement, as a lump sum. You can withdraw from it regularly to give yourself an income, on which you pay income tax, PRSI and Universal Social Charge (USC). Any money left in the fund after your death can be left to your next of kin.

Advantages of investing in an ARF:

- **Tax free growth:** Your ARF invests in funds that benefit from tax free growth under current legislation.
- **Inheritance planning:** You can pass your ARF on to your dependants/next of kin.
- **Investment options:** An ARF offers you a wide range of investment funds to choose from. Under each of these funds, you will have differing levels of potential growth versus risk.
- **Access to your fund:** You can take out cash lump sums from your fund whenever you need to.

Deemed withdrawal: Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you make a deemed withdrawal of a certain amount each year from your ARF and pay tax as if you had made an actual withdrawal. Where the total ARF value is €2 million or less, the deemed withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The deemed withdrawal is 6% p.a. if the total ARF value exceeds €2 million.

Disadvantages of investing in an ARF?

- **Security of income:** An ARF can run out during your lifetime if you make large, regular withdrawals from it or investment returns are less than expected or you live longer than expected.
- **Low investment risk tolerance:** An ARF will invest at least in part in assets such as equities and property. These assets can fall as well as rise, therefore ARF investors need to be prepared for some short term volatility.

Warning: The value of your investment may go down as well as up.
Warning: If you invest in this product you may lose some or all of the money you invest.

Taxable Cash

Another option you may have in relation to your Personal Accumulation Account is to withdraw the balance of the fund less income tax, and PRSI and USC levies where applicable.

Are there any restrictions to investing in an ARF or taking Taxable Cash?

In order to invest in an ARF or take Taxable Cash, you must have a guaranteed income for life of at least €12,700 p.a. (2018). This can include your State Pension (single person rate only) – if you qualify for it. A pension from a previous pension arrangement would also count. You can use all or part of your Personal Accumulation Account to purchase an income for life (a pension) to bring your guaranteed income up to €12,700 p.a.

If you do not have a guaranteed income for life of at least €12,700 a year before taking out an ARF, you must use €63,500 (2018) of your fund to invest in either an Approved Minimum Retirement Fund (AMRF) or to purchase an income for life (a pension). If your Personal Accumulation Account is less than €63,500, then the whole amount must be used in this way.

A guaranteed income for life does not include income from sources such as investments, businesses, rents or employment.

APPROVED MINIMUM RETIREMENT FUND (AMRF)

What is an AMRF?

An Approved Minimum Retirement Fund (AMRF) essentially operates in the same way as an ARF other than when it comes to making withdrawals:

1. Deemed withdrawals do not apply to an AMRF
2. You can only make one withdrawal of up to 4% of the AMRF value as a lump sum in each tax year
3. There is no option to set up a regular income from an AMRF

Withdrawals from an AMRF will be subject to income tax, USC and PRSI (up to age 66) under the PAYE system.

An AMRF becomes an ARF:

- **When you reach age 75**

  OR

- **You satisfy the specified pension income requirement as set out by the Revenue before age 75**

  OR

- **You die before age 75**

whichever event occurs first.

Please note that if your AMRF becomes an ARF then the annual required withdrawal (see page 9) will then apply. All withdrawals and income payments are subject to income tax, USC and (PRSI up to age 66). New Ireland will make the appropriate deduction and remit it to the Revenue Commissioners on your behalf provided that you notify New Ireland in time. It is therefore important that you inform New Ireland immediately should your AMRF subsequently become an ARF.

What happens to the value of your ARF and/or AMRF when you die?

When you die your AMRF becomes an ARF and this together with the remaining value of your ARF is available and can be left in your will as part of your estate. Your surviving spouse/civil partner can elect to transfer your ARF into an ARF in their own name without the payment of any tax. However, subsequent withdrawals by your spouse/civil partner would be subject to income tax, USC and PRSI as normal.

If you intend to transfer your ARF to someone else in the event of your death then income tax and/or Capital Acquisitions Tax may apply.

If you are in any doubt as to the tax treatment of any particular situation, please contact your New Ireland Pensions Consultant dedicated to your scheme as shown overleaf.

NEXT STEPS

This booklet is designed to help you to start thinking about and planning for your retirement.

New Ireland have appointed a dedicated pension consultant who is available to assist you in your retirement planning and with any other queries you may have in relation to the pension scheme. Contact details for the pension consultant dedicated to your scheme are below.

NEW IRELAND PENSION CONSULTANTS

YOUR DEDICATED NEW IRELAND PENSION CONSULTANT IS:

BRIAN DEEGAN

01 617 2611 Mobile: 086 3851516

brian.deegan@newireland.ie

- CoAction West Cork
- Malta Services Drogheda
- St Joseph's Foundation
- Kerry Parents & Friends Association
- Prosper Meath
- St. Christopher's Services

SUSAN FIELD

01 617 2758 Mobile: 086 2280290

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- Ability West
- Blue Teapot Theatre Company
- St.Catherine's Association
- Secretariat / Head Office
- St Hilda's Services
- Ard Aoibhinn
- Sunbeam House Services
- Northwest Parents and Friends
- Peacehaven Trust
- Cumas New Ross
- Western Care

CLAIRE PARSONS

01 617 2880 Mobile: 086 9039223

claire.parsons@newireland.ie

- SOS Kilkenny
- Waterford Intellectual Disability Association
- St. Cronan's Services
- Muiriosa Foundation
- KARE
- Moorehaven
- Children's Sunshine Home / LauraLynn

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.
Warning: If you invest in these funds you may lose some or all of the money you invest.
Warning: Past performance is not a reliable guide to future performance.
Warning: If you invest in this product you will not have any access to your money until your retirement date.

This brochure is based on our understanding of current legislation and Revenue practice as at March 2018. Terms & Conditions apply.

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