The An Post and An Post Trade Union Group AVC Retirement Benefit Scheme

Member Information Booklet 2019

Contents

Presented by

Halligan Insurances

Underwritten by

Zurich

Tax advantages of your AVC

If you are a member of the An Post Superannuation Scheme (Main Scheme), there are a number of advantages for you in making or increasing your Additional Voluntary Contributions (AVCs). The minimum you can invest is €5 per week.

Tax relief on AVC contributions

AVC contributions are taken directly from your salary and are deducted before income tax is applied, this means you get a great tax benefit.

The tax saving you get depends on the rate of income tax that applies to you. See table below for an example of tax savings.

Weekly tax savings on a gross contribution of €25 per week

	Gross contribution per week	Net contribution per week	Tax saving per week
Tax @ 40%	€25	€15	€10
Tax @ 20%	€25	€20	€5

The amount you can contribute each year is limited to a percentage of your total yearly earnings depending on your age. See below for details of these age limits.

Age-related contribution limits

Age	% of Total Earnings*
Under 30	15%
30 but less than 40	20%
40 but less than 50	25%
50 but less than 55	30%
55 but less than 60	35%
60 and over	40%

*Total earnings means gross salary plus fluctuating earnings e.g. overtime. There is an overall upper limit of €115,000 on the amount of total earnings you can use to calculate your maximum contribution. If you earn over €115,000, only €115,000 will be used to calculate your maximum contribution.

Tax-free investment growth in Zurich Life's Pension Funds

Zurich Life's Pension Funds are tax exempt. They are not subject to capital gains tax and income tax. This ensures the maximum possible growth for your pension contributions. However, withholding taxes may be deducted at source from dividends and other income arising from investments in certain countries in which the funds invest. In most cases, part or all of these withholding taxes can be reclaimed, but where they cannot, the income of the funds will be reduced by such taxes.

Further tax information

Taxation of death benefit

Lump sum death benefits, if any, will be payable to your personal representatives and will form part of your estate for taxation purposes. Any spouse's pension that becomes payable does not form part of the estate for tax purposes, but will be taxable as income.

Maximum pension fund

There is a limit on the size of pension funds and on the size of the tax-free lump sum that can be taken at retirement. The maximum pension fund is currently €2 million (Standard Fund Threshold).

If your pension fund exceeds the maximum pension fund of €2 million at retirement, you will have to pay tax at 40% on the excess in addition to the tax you would normally pay on your purchased retirement benefits.

Retirement Lump Sum

On reaching retirement you may be entitled to take some of your retirement benefits as a tax-free lump sum.

The total amount of retirement lump sum that an individual can draw down is calculated based on salary and service and is currently subject to a maximum tax-free amount of €200,000 (from all sources, including your Main Scheme and any AVC Scheme Benefits).

The excess over €200,000 will be taxed at the standard income tax rate (currently 20%) up to 25% of the maximum pension fund (i.e. up to €500,000). The excess over €500,000 will be taxed at your marginal rate.

Both of these limits include all retirement lump sum payments taken by you from all other pension arrangements since 7 December 2005.

Are you paying enough into your AVC?

If you feel that you are not paying enough into your AVC, or if you think that you could manage paying more than you currently are, it is worth increasing your contributions so that you receive the best the taxman has to offer.

If you're concerned about the size of your contributions or the estimated future value of your plan, you should seek financial advice.

Don't miss this great tax saving opportunity! To increase your contributions simply complete the form below and return it to Zurich Life FREEPOST.

An Post AVC contributions increase form

I hereby confirm that I wish to increase my weekly Additional Voluntary Contribution to my pension fund by:

€5 ☐ €10 ☐ €15 ☐ Other € ________ per week

Zurich Life will write to you to confirm your revised total weekly contribution.

I wish to make a single contribution of € ________ and I have enclosed a cheque/bank draft for this amount (made payable to Zurich Life).

Employee Name

Department

Location

Employee No.

Signed

Date

Office use only: R000245

Please complete this form and return it to An Post AVC Scheme Specialist Support Team, Group Business Administration Department, Zurich Life Assurance plc, Zurich House, FREEPOST, Frascati Road, Blackrock, Co. Dublin.

Your AVC Investment Account

The State Pension age is currently 66 today (February 2019). This is due to increase to 67 in 2021 and to 68 in 2028.

- If you were born between 1 January 1949 and 31 December 1954 inclusive, the minimum qualifying State Pension age will be 66.
- If you were born between 1 January 1955 and 31 December 1960 inclusive, the minimum qualifying State Pension age will be 67.
- If you were born on or after 1 January 1961 the minimum qualifying State Pension age will be 68.
  (Source: Department of Employment Affairs and Social Protection)

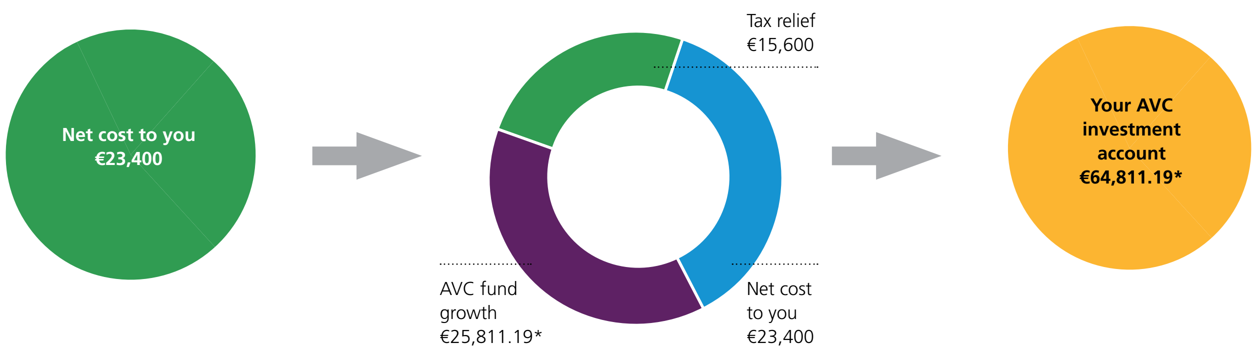
In any retirement planning, you need to know what your expected retirement age will be, what age your Main Scheme and AVC benefits will become payable, and when the State Pension will become payable (and your projected pension benefits at those dates).

It is important for you to contact Halligan Insurances or Zurich Life as soon as you become aware of any changes in your circumstances or expected retirement age as these could affect your AVCs. Halligan Insurances or Zurich Life will then help ensure that your AVC benefits remain appropriate in light of any such changes and can produce illustrations based on your revised circumstances and the expected term to your retirement age.

See page 13 for contact details.

What makes up your AVC Investment Account?

This example is based on a person contributing €25 per week into the An Post and An Post Trade Union Group AVC Scheme over a 30-year term (i.e. total gross contributions €39,000), with an assumed average investment return of 4.2% per annum.* Income tax at 40% is assumed.



The chart illustrates the growth of an An Post AVC Investment Account, with an annual management charge of 0.85% and a monthly policy fee of €2.

This example shows how the eventual size of an AVC Investment Account is made up of three factors:

- contributions net of tax (€23,400) **+**
- tax relief (€15,600) **+**
- the illustrated growth* of the AVC fund (€25,811.19).

Total illustrative fund: €64,811.19.

* These figures assume a start date of 1 January 2019, over a 30 year term. The illustrations assume the continuation of current charges, except for the monthly policy fee, which is assumed to increase at 1.5% per year, and that contributions are remitted monthly to Zurich Life.

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: If you invest in this product you may lose some or all of the money you invest.

Frequently asked questions

1 How does my AVC work?

Your AVC Scheme provides you with a tax-efficient way to build up a sum of money that can be used to buy additional financial benefits for you in retirement. You can make AVCs if the benefits that you will receive at retirement from the Main Scheme and any benefits retained from previous employment, are projected to be lower than the maximum allowed by Revenue.

The following are examples of where there will be scope for AVCs to provide additional benefits:

- Missing years

  If you do not expect to have full service, you could use AVCs to make up part or all of the difference between the maximum allowable tax-free lump sum and the tax-free lump sum (Main Scheme gratuity) based on shorter service. Likewise, you could use AVCs to bring your pension up to the maximum allowed by Revenue.

- Non-pensionable earnings/integrated pension

  If you have non-pensionable earnings (e.g. overtime, pay increases) or if your pensionable salary is reduced to take into account the State Pension, then you could use AVCs to fund for a pension based on your total earnings.

- Spouse's pension (death in retirement)

  The Revenue maximum amount of spouse's pension that can be provided is 100% of the maximum member's pension. Your Main Scheme provides a spouse's pension of 50% of your pension. Therefore you could use AVCs to fund for this gap.

2 What are my options at retirement?

At retirement your AVC Investment Account may be used to maximise your retirement benefits (within certain limits imposed by the Revenue), as follows:

- top up your retirement lump sum with an additional lump sum, some of which may be tax free (please see †**Note**);
- take a further taxable lump sum at retirement;
- provide a pension, also known as an annuity, in addition to any you may be entitled to under the Main Scheme (as with your pension under the Main Scheme, any AVC pension will be treated as earned income for tax purposes);
- invest in an Approved Retirement Fund (ARF)/ Approved Minimum Retirement Fund (AMRF) – see page 11 for details;
- buy benefits under the Added Years – Purchase of Notional Services Scheme.

Your AVC Investment Account is used to 'buy' your chosen benefits at retirement, subject to Revenue limits. Most AVC members opt to take as much as possible as a tax-free lump sum. While you do not have to make a final decision about how you want to take your retirement benefits until you reach retirement, it is important that you plan ahead so that the amount in your AVC Investment Account will be adequate to buy your preferred choice of benefits.

†**Note:** At retirement, the Revenue has strict regulations on how much tax-free cash a member is entitled to. The tax-free cash/gratuity from the main An Post Superannuation Scheme is based on the number of years' service and the maximum tax-free cash payable is 1.5 times annual salary after 40 years. Where a particular member is short on years' service or maybe has overtime earnings, then the AVC Savings Fund can be used to top-up his/her tax-free cash entitlement subject to a maximum of 1.5 times overall annual earnings. See page 2 for more information.

3 How does the tax relief work?

The AVC contribution that appears on your payslip is your AVC gross deduction i.e. your AVC contribution is deducted from your gross salary before income tax is applied (Revenue limits apply). This is identical to the arrangement for applying tax relief on your Main Scheme contributions.

If you elect to make a single contribution top-up payment in relation to the current tax year (which is not deducted through payroll), Zurich Life will issue you with a letter confirming receipt and outlining investment details. To receive tax relief on your single contribution, you should forward a copy of this letter to your Tax Office.

AVC contributions paid prior to 31 October can be backdated to the previous tax year for tax relief purposes. Income Tax relief will be available at your marginal rate of tax for the previous year (i.e. 20% or 40%).

You must submit your claim for tax relief to your Tax Office prior to 31 October, or early November* where the payment is made through Revenue Online Service (ROS).

Please note that it is not sufficient just for the contribution to be paid before the deadline – you must also notify Revenue before the deadline that you are electing to backdate the tax relief on such a contribution to the previous tax year.

*Date not yet finalised for current year.

For example, if you make a single contribution AVC top-up by cheque on 1 October 2019, and wish to backdate the tax relief to the 2018 tax year, then you must inform Revenue before 31 October 2019 stating that you are electing to backdate the tax relief on this single contribution AVC amount to the previous tax year.

4 Are reviews of my AVC Investment Account necessary?

Yes. Your AVC Scheme may be a vital element in helping ensure your financial security during retirement. You should remember that the benefits provided by your AVC Scheme at retirement may be affected by factors such as the following:

1. Changes in your retirement plans – for example, when joining the An Post AVC Scheme 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 the date you originally indicated when setting up your AVC Plan, particularly given the changes in the State Pension age.

   If you decide to change your retirement date it is very important that you contact Halligan Insurances or Zurich Life. This is because a change in your chosen retirement date may have consequences for your investment strategy and benefit entitlements under the AVC Scheme.
2. Changes in Revenue rules and practice – these may alter the options available to you or change/restrict benefit limits.
3. Salary rises – your salary may rise at a faster or slower rate than originally assumed.
4. Career breaks, marriage and other changes in your personal circumstances – you should write to Halligan Insurances or Zurich Life if you are certain you are going to take a career break or your personal circumstances have changed (marriage/bereaved/divorced/children, etc). If you are on career break or unpaid leave 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 AVCs should automatically start again. You may also wish to consider increasing your AVC Plan at that stage to make up for the shortfall resulting from the years of service you missed whilst on career break or to reflect your changed personal circumstances.
5. Investment returns – the investment returns may be at a higher or lower rate than originally assumed.
6. Annuity rates – the actual annuity rates available at retirement may be higher or lower than originally assumed, due to changes in interest or mortality rates for example. This could mean that you need more or less money than planned to purchase an income for life when you retire.

It is also important that you take the time to read any information about your AVC Scheme that may be sent to you from time to time. You can contact Halligan Insurances or Zurich Life if there are any changes in your circumstances that may affect your AVCs. This will help ensure that your AVC benefits remain appropriate in the light of changes to any of the relevant factors.

5 Can I vary my AVC contribution?

Yes, you may increase or decrease your AVC contribution over the years ahead. This is, of course, subject to the maximum contribution limit and benefit limits set by the Revenue.

6 What happens if I stop contributing to my AVC Scheme?

In general, if you stop contributing to your AVC Scheme, your AVC Investment Account will remain invested until you retire. The annual management charge and monthly policy fee will continue to be deducted from your Account. You can recommence payments at a later date. To do so, please contact Zurich Life. At retirement, your AVC Investment Account is available to you to 'buy' your choice of the retirement benefits you are eligible for.

7 Am I buying added 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 Investment Account at that time, subject to Revenue limits.

If you wish to purchase additional years' service, provided your expected total number of years by your Normal Retirement Age does not exceed 40 years, then you may be able to do so under the Purchase of Notional Service Scheme under the Main Scheme.

8 What happens if I leave An Post prior to retirement?

You should advise Zurich Life that you are leaving, so they can arrange for a Leaving Service Options Form to be issued to you. Under Revenue regulations, the benefits from your AVC Scheme are treated in the same way as your Main Scheme Benefits:

If you have at least two years' service as a member of the Main Scheme, on leaving service, you will be entitled to a preserved benefit. Your AVC Investment Account will be left to accumulate until retirement. Alternatively, you may be entitled to transfer the value of your AVC Investment Account to another pension arrangement, subject to Revenue regulations.

As an alternative to leaving your AVC Investment Account to accumulate as a Paid-up Account, it may be possible to transfer the value of your AVC Investment Account to a Personal Retirement Bond. Although this is a separate pension contract, the timing and format of benefits must coincide with the date and format of the benefits payable from the Main Scheme.

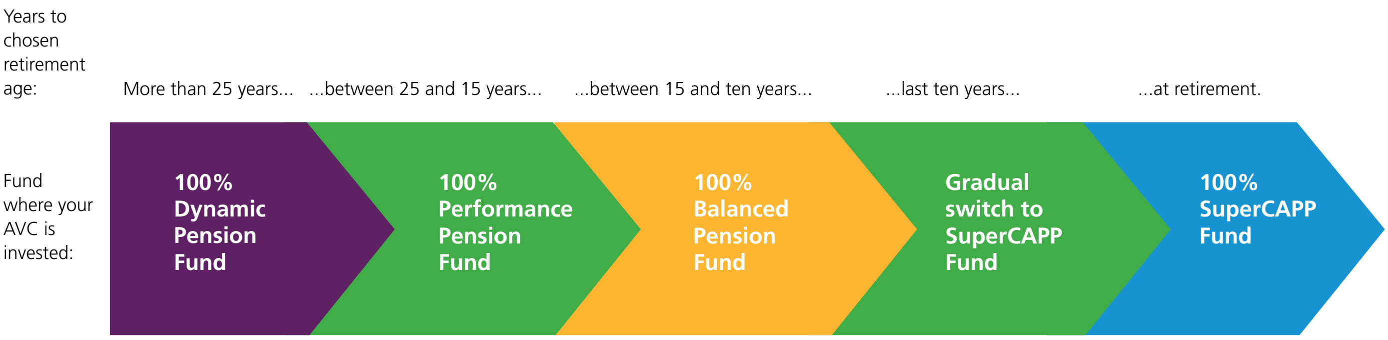
In this respect it is important for you to contact Halligan Insurances or Zurich Life to get details of all options available on leaving service.

If you are not entitled to a preserved benefit under the Main Scheme (i.e. if you have less than two years' service as a member of the Main Scheme), you must take a refund of the value of your AVC Investment Account when you resign. This refund will be subject to tax at 20% under current Revenue regulations (as at February 2019).

Automatic Investment Strategy

Most employees, when joining the Scheme, choose to avail of the "Automatic Investment Strategy" offered by Zurich Life, which is called PensionSTAR. Its aim is to maximise investment growth in earlier years, whilst emphasising security and the preservation of your AVC Investment Account value in the years approaching retirement.

PensionSTAR explained



How does it work?

PensionSTAR offers aggressive investment in the early years, while you still have many years to go to retirement. This is followed by a less aggressive strategy as you get closer to retirement. Investment in low-risk funds – such as cash funds – normally gives low returns, whereas investment in funds with a higher level of risk – such as equity funds – can be expected to give a higher return over the longer term. However, the value of investments in an equity fund will tend to fluctuate more over the years.

More than 25 years to go to chosen retirement age...

In the early years, you have greater capacity to tolerate fluctuating investment returns in return for the likelihood of better investment growth. Therefore, for An Post workers with 25 years or more to go to their chosen retirement age, the Automatic Investment Strategy invests in the Zurich Life **Dynamic Pension Fund**. This is an aggressively managed fund that aims for a higher return through higher risk equities.

Between 25 and 15 years to go...

In later life, with fewer years remaining until the money in your AVC Investment Account is required, you need more stability in your investments. Therefore, gradually as the period to retirement decreases, new AVCs are directed to funds with successively lower levels of risk. With less than 25 years to go, new AVCs are redirected to the Zurich Life **Performance Pension Fund**. This has a somewhat lower equity content than the Dynamic Pension Fund but is still a high risk fund.

Between 15 years and ten years to go...

15 years before retirement age, new AVCs are redirected to the Zurich Life **Balanced Pension Fund**. This fund has a lower equity content than the Performance Pension Fund and is a medium to high risk fund.

Last ten years...

Approaching retirement age, an individual investor needs to protect the gains that have been made in the Zurich Life **Dynamic, Performance** and **Balanced Pension Funds** and at the same time enjoy a reasonable rate of return on the capital accumulated and future contributions.

Ten years before the chosen retirement age, Zurich Life will begin transferring the accumulated value of the AVC Investment Account into the Zurich Life **SuperCAPP Fund**. A proportion of the AVC Investment Account is transferred each month over the next 120 months. As far as new AVCs are concerned, all such contributions are redirected to the SuperCAPP Fund for the final ten years prior to the chosen retirement age.

See overleaf for further information on the SuperCAPP Fund.

Your AVC funds and performance

SuperCAPP Fund

The SuperCAPP Fund is a unitised with-profits fund that aims to deliver a regular return to policyholders consistent with prevailing medium-term interest rates while maintaining the potential for higher growth than a bank deposit account.

The fund pays a regular annual dividend and, once you have been invested in the fund for five years or longer, you may also qualify for a special dividend that is payable when you encash your investment.

The Gross Annual Dividend declared for 2018 was 0.79% and the interim Gross Annual Dividend for 2019 is 0.79%

(Source: Zurich Life)

In certain circumstances, such as a period of sustained market underperformance, encashment values may be reduced by the application of a Market Level Adjustment (MLA). The fund is managed prudently and Zurich Life does not expect to apply an MLA other than in exceptional circumstances. However, an MLA may be applied if the Appointed Actuary judges it necessary to balance the interests of all policyholders in the SuperCAPP Fund. An MLA will not be applied on death or at the normal retirement age.

Investment performance

Performance of the Managed Funds in the AVC Investment Strategy as at 31 December 2018

	2018	Sector average for 2018	Annualised five-year performance end 2013 – 2018	Sector average for five years	Annualised 15-year performance end 2003 – 2018	Sector average for 15 years
Dynamic Fund	-4.9%	-6.4%	7.6%	5.1%	7.3%	4.6%
Performance Fund	-4.3%	-6.4%	7.3%	5.1%	7.1%	4.6%
Balanced Fund	-3.6%	-5.8%	6.8%	4.5%	6.8%	4.4%

Source: Financial Express, January 2019.

Important Note: Annual management charges (AMCs) apply. The fund performance shown is before the full AMC is applied on your policy. The return is based on an investment in the fund and does not represent the return achieved by individual policies linked to the fund.

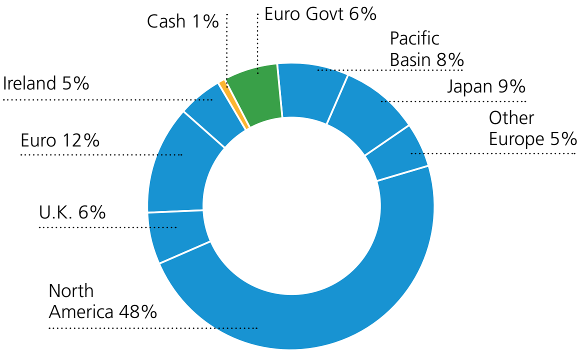
Warning: Past performance is not a reliable guide to future performance.
Warning: The value of your investment may go down as well as up.
Warning: This product may be affected by changes in currency exchange rates.
Warning: If you invest in this product you may lose some or all of the money you invest.

Asset allocation of the funds in the AVC Investment Strategy

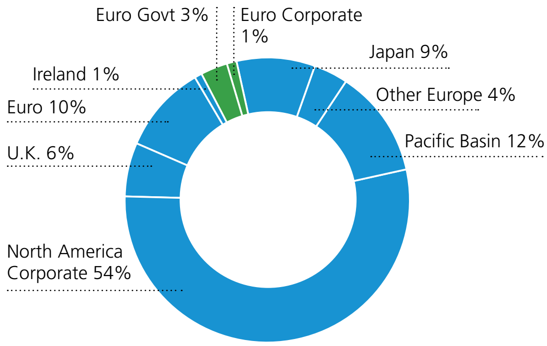
The following charts show the asset allocation of the funds at the beginning and end of the year under review.

Dynamic Fund

Year beginning 2018



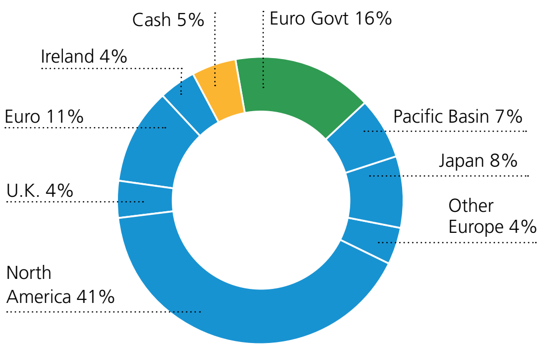
Year end 2018



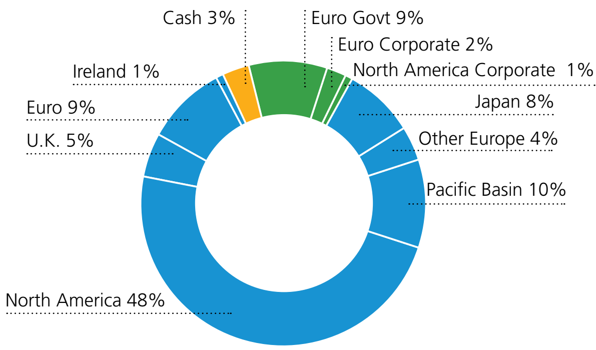
Cash
Bonds
Equities

Performance Fund

Year beginning 2018



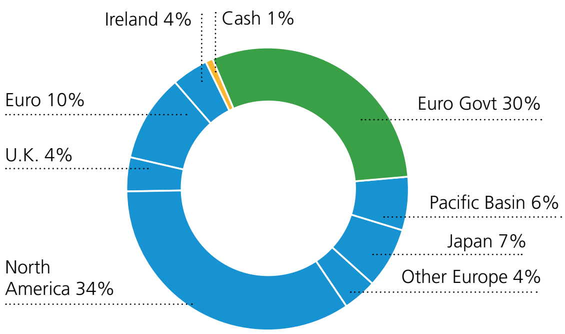
Year end 2018



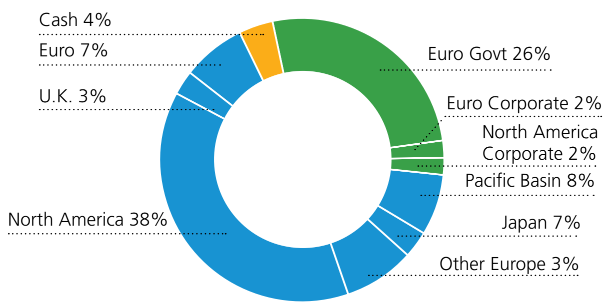
Cash
Bonds
Equities

Balanced Fund

Year beginning 2018



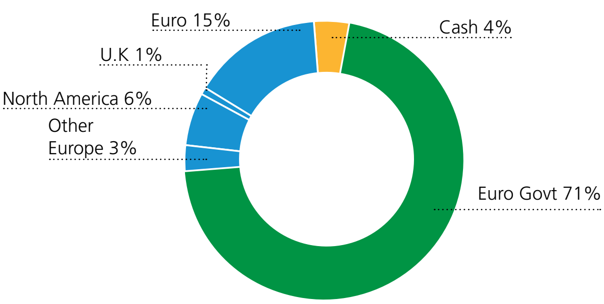
Year end 2018



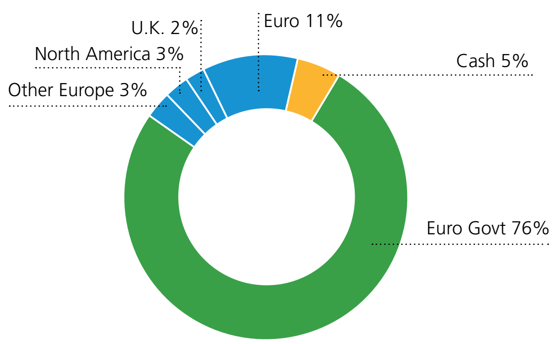
Cash
Bonds
Equities

SuperCAPP Fund

Year beginning 2018



Year end 2018



Cash
Bonds
Equities

Source of asset allocation of funds: Zurich Life

ARF & AMRF explained

An Approved Retirement Fund (ARF)/Approved Minimum Retirement Fund (AMRF) is an investment option open to you, within certain eligibility conditions, at retirement. This can be an alternative to an annuity or can be chosen alongside an annuity.

Eligibility conditions for an ARF

- **Specified income –** you must have a guaranteed lifetime income of €12,700 per year

OR

- **Specified investment –** you must have invested €63,500 in either an AMRF or an annuity (or combination of both).

Some features of an ARF include

- **Continued investment –** with an ARF you can continue to invest the money in your ARF and potentially grow this amount
- **Flexible –** you can invest in an ARF for as long as you like, usually six or more years
- **Inheritable –** the value of an ARF can be passed to your estate in the event of your death
- **Withdrawals –** you can make withdrawals from your ARF as you need them.

If you don't meet either of the eligibility conditions for an ARF above, you must first set up an AMRF.

How does an AMRF differ from an ARF?

- The maximum yearly withdrawal you can make from your AMRF is 4%, unless it is to buy an annuity. Unlike an ARF, the 4% withdrawal from an AMRF is voluntary
- An AMRF becomes an ARF when you turn age 75 or on your death it may be passed on to your spouse as an ARF.

Revenue and tax rules

- Investment growth on your ARF/AMRF is tax free
- Withdrawals from an ARF/AMRF are taxed at your marginal income tax rate, USC and PRSI may also apply
- Once you are between 60 and 69 (for a full tax year) you must withdraw at least 4% of the value of your ARF every year. If you are 70 or over (for a full tax year) you must withdraw at least 5% of the value of your ARF every year. If the value of the ARF is €2 million or more then at least 6% must be withdrawn each year.

Imputed distribution

If these actual withdrawals are not made from your ARF, Revenue will calculate a notional withdrawal of 4% between age 60 and 69 and 5% for those over age 70 (or 6% if ARF value is €2 million or more) of the value of your ARF on 30 November each year, and tax that notional withdrawal accordingly. This is called an imputed distribution.

Any actual income or withdrawals from the ARF during the year may be taken into account when calculating the notional withdrawal and corresponding tax liability.

Full details of ARF, AMRF and annuity options are available from Halligan Insurances or Zurich Life.

Your AVC Scheme is flexible enough to adapt with your changing circumstances and although none of these decisions need to be made before retirement, if you are approaching retirement in the coming years it is important that you discuss your options with Halligan Insurances or Zurich Life.

Online access to your AVC

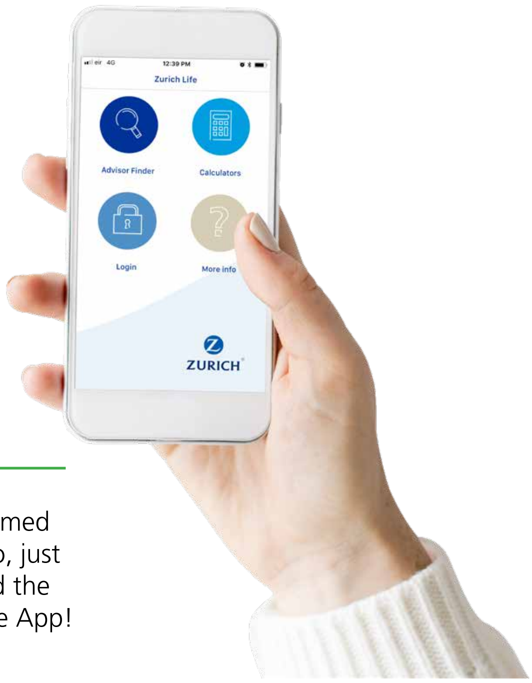
Monitor your AVC online with Zurich Life's Client Centre.

To view all the details of your AVC pension policy online, simply register on our client website, the Zurich Life Client Centre.

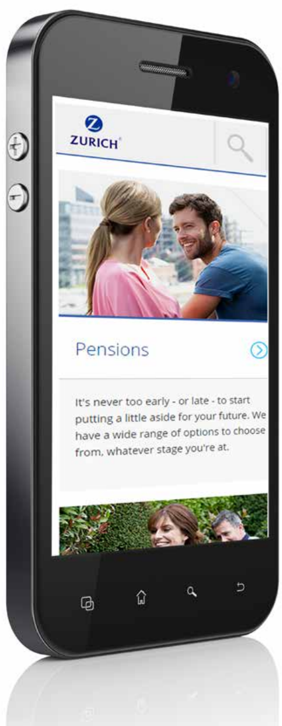
Click the Client Centre link on our homepage at **www.zurich.ie**

All of these features are available to you on the secure Client Centre

- Scheme Details
- Policy Details
- Fund Values
- Premium History
- Fund Description
- Advisor Details



Stay informed on-the-go, just download the Zurich Life App!



Log on to **zurich.ie** from your smartphone or tablet!

Queries

Halligan Insurances and Zurich Life are dedicated to providing you with a first-class service over the years ahead. If you have any queries or require information about individual entitlements that are not answered in this Member Information Booklet, you can email the administrators at zcp2@zurich.com or write to the consultant, Halligan Insurances or to your An Post AVC Scheme Administrator in Zurich Life at the following addresses:

Halligan Insurances

William Norton House, 575 North Circular Road, Dublin 1.
Phone: (01) 879 7100
Fax: (01) 873 1978
Email: info@halligan.ie
Web: www.halligan.ie

An Post AVC Scheme Specialist Support Team Group Business Administration Department

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Phone: (01) 799 2698
Fax: (01) 799 2777
Email: zcp2@zurich.com
Web: www.zurich.ie

The Trustees of the An Post and An Post Trade Union Group AVC Retirement Benefit Scheme are:

- Patrick Gallagher
- Anthony Harmon
- Patrick Knight
- Brian McCormick
- Sean McDonagh
- Alan McGeehan
- Niall Phelan

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The information contained herein is based on Zurich Life's understanding of current Revenue practice as at March 2019 and may change in the future.