Pension Schemes guide to AVCs

Covering your future needs

For members of the Ulster Bank Pension Scheme (Republic of Ireland) and the First Active Pension Scheme

Contents

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Contributing to your future
This guide is designed to let you know all about Additional Voluntary Contributions (or AVCs) and how they work.

The first thing to say is that, as a member of The Ulster Bank Pension Scheme (Republic of Ireland) or the First Active Pension Scheme, you already have a generous final salary pension scheme in place – with plenty of benefits for you and your family, both before and after you retire.

However, while this provides a good basis for your retirement savings, there are lots of reasons why you might also want to top up your pension. This is where AVCs come in.

What are AVCs?
AVCs are a simple, flexible and tax-efficient way for you to top up your pensions savings. With AVCs, you can contribute to your own personal account, which builds up until you retire – at which point you can buy extra benefits to suit you. You can vary your contributions as you go along, as well as choosing where to invest your savings. Later on, you can choose whether to take your savings as a pension or a tax-free lump sum. Whatever your age, circumstances and priorities in life, AVCs allow you to save in a way that suits you.

Why make AVCs?
There may be several reasons why you may wish to enhance your pension benefits:
• you want to retire early and make up for the lower final salary pension that you'll receive.
• a significant part of your earnings is not pensionable in the final salary pension scheme – such as overtime or bonus.
• you only have a short time left to retirement and no significant pension entitlements elsewhere.
• to counteract the reduction in pension payable because you took a career break or a marriage gratuity.
• to enhance benefits if you work part time, or job share.

There are also plenty of benefits that can make AVCs worthwhile:
• Your contributions automatically qualify for tax relief at your highest personal rate of taxation. They also attract PRSI relief. Of course, legislation is constantly changing and we cannot guarantee that the taxation position will not change in the future.
• Your personal account builds up a virtually tax-free fund.

If you are unsure about whether to make AVCs you should consider taking independent financial advice.

Your AVCs options
One of the best things about AVCs is the flexibility they offer. You can choose how much to contribute and vary it according to your circumstances. You can also decide whether you want to make regular monthly contributions, a lump sum, or both.

Regular Monthly Contributions
You can start, change and stop paying monthly contributions at any time, with one month's notice, by contacting The Pensions Manager, Group Pension Services.

Lump Sum Contributions
Subject to Revenue limits, you may pay in a single one-off lump sum at any time, with one month's notice. The minimum contribution allowable will depend on whether you are making regular AVCs as well. This contribution can be taken directly from your salary. Please note that if you pay a lump sum AVC by cheque you will have to arrange tax relief separately yourself when submitting your tax returns.

Benefits when you retire

The value of the benefits you receive will depend on how much your personal account grows over the years as well as annuity costs at retirement and the choices made by you. Subject to the Rules of Pension Scheme and the limits imposed on benefits by the Revenue Commissioners, when you retire you may apply the amount available from your personal account to provide one or any combination of the following:

Lump sum payment

One option is to take part or all of your personal account as a lump sum. This will be tax-free as long as the total lump sum doesn't exceed the maximum permitted by the Revenue. You should note that if you take a lump sum this will reduce the initial pension benefit paid to you.

A pension for you

You can buy additional pension for yourself, which is payable for your lifetime. This pension can stay at the same level or you can pay more and buy a pension that increases each year to help keep pace with inflation. You can do this by buying an annuity from an insurance company in the open market.

A pension for a dependant

You may want your pension to continue to be paid to a dependant if you die after retirement. It's worth noting that, if you take a pension that increases each year, or one that continues to be paid to a dependant if you die after retirement, then the initial amount of your pension will be lower.

Approved Retirement Fund

Alternatively you may be able to invest your personal account in an Approved Retirement Fund (ARF).

The Finance Act 2000 introduced an option where you may now transfer your personal account to a special qualifying investment account known as an ARF. The ARF will not incur tax on investment earnings and you will be free to draw out any amount at any time. This would include taking the entire fund in one lump sum payment. Withdrawals will be subject to income tax at your marginal rate at the date of withdrawal. There are special rules relating to the treatment of any balances remaining under an ARF at the point of your death. In addition, there are certain restrictions in so far as you must, at retirement, have a minimum annual pension of €12,700, or must use at least €63,500 to purchase an annuity. Otherwise, the personal account, subject to a maximum of €63,500, must be paid into an AMRF (Approved Minimum Retirement Fund) and must remain there until you die or reach age 75 if earlier, although you will have the right to access investment income, which is subject to income tax on withdrawal.

From 2009 the Revenue Commissioners require that for individuals with ARFs who are over age 60, there is either a minimum of 3% of the ARF drawn down each year (on which income tax is payable), or, such a draw down will be deemed to have taken place and the equivalent income tax will be payable. Prior to 2009 the minimum drawdown is lower. If you wish to consider transferring your personal account to an ARF then we recommend that you speak to your Financial Advisor.

Early retirement

Early retirement may be allowable after age 50 with the Company's consent. Please bear in mind that if you retire early your pension may be reduced to take this into account.

How will you know the value of your AVCs?
Each year while you are employed in the group you will receive an AVC benefit statement. The statement will detail the current value of your personal account and will illustrate the potential benefits at normal retirement date if you continue to pay the same level of contributions. You may also request a valuation of your personal account at any time.

What happens if you pay too much?
The AVC plan forms part of the main Scheme and, as such, the Trustee of the main Scheme will monitor for possible over-funding (overpayment). This position may occur if your personal account provides a pension that would bring you over the maximum pension limit. In this situation you may lose the part of your aggregate benefits under the Scheme over the Revenue maximum limit. However, this is a very rare occurrence. If there is a possibility of you losing part of your aggregate benefits because of overfunding we may restrict the contribution level of your AVCs to try and ensure that this does not happen. Please note that the under the lifetime allowance cap the maximum value of your tax relived pension benefits is €2.3 million.

What if you die before you retire?
In this case, the value of your personal account would normally be used to provide additional benefits for your dependants. Subject to certain Revenue limits, it may be possible to pay some or all of the value of the personal account as a lump sum. Where this is the case the lump sum will normally be paid to the same person or people who receive the lump sum death benefit from your final salary pension scheme. Ultimately, this is subject to the discretion of the Trustee. To help them exercise that discretion, it’s important that you complete a Lump Sum Nomination Form and keep it updated. You can get a form from Group Pension Services.

What if you leave the Group?
If you leave service you will not be able to continue paying into this AVC plan.
• if you leave with less than two years’ service you will receive a refund of your personal account value less 20% tax.
• if you leave with more than two years’ service the units that you have purchased will continue to be invested in the Funds chosen, and will be used to buy additional benefits at the same time as your Preserved Pension becomes payable.
• you can choose to transfer your Preserved Pension to another employer/contract and then you must also transfer your personal account. If you choose to leave your AVCs in the Pension Scheme, then they will continue to be invested until you retire. (The Group reserves the right to impose an annual administration charge each year.) If you die before you retire, your personal account will be used to provide benefits to your dependants and may, subject to Revenue limits, be payable, as a lump sum. Again, this is subject to the Trustee’s discretion and you should make sure you have submitted an up-to-date Lump Sum Nomination Form.

Is there anything else you should know?
If you are thinking of starting to pay AVCs, then you should note that the Revenue Commissioners see this as a medium to long term saving commitment. You are saving now to fund for retirement benefits. Once invested the funds can only be accessed by the purchase of retirement benefits at the same time as you take your pension from the Bank. Although you can defer your AVC Pension if you wish. If you feel that you might need access to your money in the short term, then you should perhaps consider a different savings vehicle and we would recommend that you speak to your financial adviser.

Getting started

So here's how to get started should you decide to go ahead with AVCs:

1. Decide how much you want to save
The most important thing is to consider what your goals are. For example, are you saving for early retirement or because you have a shortfall in your pension planning?

You also need to think about how much you can afford to save. The advantage with AVCs is that the Group pays the contributions and a corresponding deduction is made from your gross Total Reward package, so it's deducted before it's paid into your bank account.

To comply with current Revenue Commissioner regulations, the maximum that you may contribute is between 15% and 40% (subject to certain age related limits) of your taxable earnings in any single tax year as outlined below.

Age	Maximum % of Total Remuneration*
Less than 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
Age 60 or over	40%

* *Please note that any normal contribution that you pay into the Pension Scheme will count towards this limit.*
* Total Remuneration is limited to a maximum of €115,000 for the 2012 tax year.

2. Decide how to invest your savings
Your AVC contributions will be paid into an individual personal account and will be invested in one, or a combination, of the AVC funds on offer. Irish Life is responsible for managing these funds. It's important to make the right investment choices – the AVC Investment Funds Guide should help. It's ultimately a matter of weighing up your personal circumstances and your attitude to risk versus reward. Details about the available investment funds are provided in the AVC Investment Funds Guide.

3. Make your choices by completing an AVC application form
You can complete the application form that's at the end of this guide. Your completed form should be returned to Group Pension Services. Please note that you need to sign the form indicating that you have read and understood this guide and the AVC Investment Funds Guide. The first deduction from your salary will normally be made in the month following receipt of your completed form. If you require any further information, please contact Group Pension Services. Please note that if your investment instructions are unclear or incomplete then you will automatically be invested in the default investment option, details of which are provided on the application form and in the investment guide.

Changing or stopping your contributions
You can change or stop regular monthly contributions at any time by contacting Group Pension Services. One month's notice is required. Switching to other investment funds

Switching to other investment funds
When you start making AVCs, you will have to choose the particular funds in which you want to invest (see the AVC Investment Funds Guide). There's every chance that you'll want to continue making AVCs for a number of years, in which case you may want to rethink your investment strategy from time to time. For example, you can move money from one fund to another, or decide to make future contributions into a different fund. To make any changes, contact Group Pension Services. You can make up to six switches each year free of charge. Please note that any further switches may incur an administration fee.

Glossary

Here's a quick explanation of some of the terms in this guide.

Aggregate Benefits
This refers to the total of your benefits in the final salary Pension Scheme and your personal account.

Group
This refers to the Royal Bank of Scotland Group plc or any subsidiary company with specific powers under either of the Pension Schemes.

Lifetime Allowance Cap
This is the total value of all your private and occupational pension provision (excluding any State Pension), which you can build up without incurring any additional tax charge. The Lifetime Allowance for the 2012 tax-year is €2.3 million.

Qualifying Service
This refers to your years of service within the Group during which you have been a member of either of the Pension Schemes.

Trustees
Trustees have been appointed to oversee the running of each of the Pension Schemes in the best interests of the members and in accordance with the rules of each of the Pension Schemes.

Disclaimer
This Guide is only a summary of the detailed legal documentation relating to the payment of AVCs and the benefits derived from them.

The payment of AVCs and the benefits derived from them are subject to the terms of each Pension Scheme's Trust Deed & Rules. While every effort has been made to ensure that this Guide is accurate, if there is any difference between the terms of this Guide and the Trust Deed & Rules, the Trust Deed & Rules will prevail. Please be aware that the terms of the Pension Schemes may be changed in the future.

Nothing in this Guide is, or should be taken as financial or other professional advice. You should contact your independent financial adviser if you are unsure about whether to pay AVCs or how to invest AVCs.

Contact Details
Ulster Bank Pension Scheme (Republic of Ireland)
First Active Pension Scheme
RBS Group Pension Services
PO Box 1390
Croydon, Surrey
CR9 5WP, UK
Freephone: 1800 245 971
Email: ubgpensions@rbs.co.uk
Email: firstactivepensions@rbs.co.uk

Additional Voluntary Contribution (AVC) Allocation Form

This box is for Group Pension Services' completion only:

Scheme Name:
AVC Scheme Number:
Date Joined Company:
Date Joined Pension Scheme:

Personal details

Member name:	<	>
Employee ID number:	<	>
PPS number:	<	>
Date of birth:	<	>
Gender:	<	>
Marital Status:	<	>
Current Salary	<	>
Address:		

AVC deduction

Please confirm the effective **month** from which your AVCs will be paid

AVCs may be made a regular contribution or as a one-off payment.
Please indicate how you wish to pay your AVCs.

- Regular contribution of € ______ per month

Or

- Single contribution of € ______

AVC Investment

Please select how your AVCs are to be invested in the following funds. All instructions should be in whole percentages. The total of all the percentages should be 100% and *please note that a maximum of 5 funds are permitted.*

Irish Life Funds	
Consensus Fund	
Exempt World Equity Indexed Fund	
Exempt European Equity Indexed Fund	
Exempt Cash Fund	
Exempt Property Fund	
Passive Long Bond Fund	
Total	**100%**

Member decision

I confirm that I have read and understood the AVC guide and investment guide. I want my AVCs to be invested in the funds as shown above and authorise the Company to deduct the amount quoted from my gross salary.

Signed: Date: