



## ABC Company Pension Scheme (defined benefit)

### Retirement options letter

We understand that you are retiring on [insert date] - this letter outlines your options in relation to the benefits you have built up in your pension and allows you to tell us how you wish to receive your benefits.

#### 1. Your personal details

Name	Pensions Authority ref number
Address	Date you joined the scheme
Date of birth	Normal retirement age
Civil/marital status	Scheme service at retirement
Scheme number	Current pensionable salary <sup>1</sup>
Member ref number	

#### 2. Retirement options available

Please note that the benefit amounts you will receive may vary from those illustrated below as they will be calculated for the exact date you retire.

► **Option 1: a tax-free lump sum and a pension<sup>2</sup>**

You can opt to take a tax free lump sum of up to [insert value] and a pension of [insert value] a year. This pension is payable monthly in advance, will increase by 2% every year, and is guaranteed for a minimum of 5 years and for your lifetime thereafter. Pensions are considered taxable income. If you die after retirement your survivor will receive a pensions of [insert value] a year.

Alternatively, you can take a pension of [insert value] which will not increase each year.

► **Option 2: a pension**

You can opt to take your pension of [insert value] a year. This is payable monthly in advance, will increase by 2% every year, and is guaranteed for a minimum of 5 years and for your lifetime thereafter. Pensions are considered taxable income. If you die after retirement your survivor will receive a pensions of [insert value] a year.

Alternatively, you can take a pension of [insert value] which will not increase each year.

These figures assume the following:

- That you do not have a pension adjustment order (PAO) in place;
- That you have not transferred benefits from another pension arrangement into this scheme;
- That you have not taken other pension benefits.

#### 3. Additional Voluntary Contribution (AVC) options available

The value of your AVCs at [insert date] is [insert value]. The following are the options available for your AVC fund. Please note that the benefit amounts you will receive may vary from those illustrated below as they will be calculated for the exact date you retire.

▶ **AVC option 1: use your AVCs to take your tax free lump sum and therefore increase your pension**

You can use your AVCs to take your tax free lump sum of up to [insert value], see option 1 above. If you choose to do this the residual pension would be [insert value] a year. This pension is payable monthly in advance, will increase by 2% every year, and is guaranteed for a minimum of 5 years and for your lifetime thereafter.

Alternatively, you can take a pension of [insert value] which will not increase each year.

▶ **AVC option 2: use your AVCs to invest in an Approved Retirement Fund (ARF)**

You can use your AVCs to invest in an ARF. You can invest in an ARF where you have a minimum guaranteed annual lifelong income of €12,700<sup>3</sup>. If not, you can still invest in an ARF provided you put €63,500 into an approved minimum retirement fund (AMRF).

▶ **AVC option 3: take your AVCs as taxable cash**

Providing you meet the guaranteed lifelong income requirement outlined in option 2 above you can take your AVCs as cash, which will be subject to taxation at your marginal rate of tax.

▶ **AVC option 4: use your AVCs to purchase an annuity**

You can use your AVCs to purchase an annuity. This will give you an income of [insert value] a year payable monthly in advance, increasing by 2% every year, and guaranteed for a minimum of 5 years from age 65 and for your lifetime thereafter.

Alternatively you can buy an annuity of [insert value] which will not increase each year. It is also possible to purchase an annuity to cover more than one life, for example a joint life annuity which will pay a percentage to your spouse after your death.

If you have any questions on the above please contact [insert name/title and address].

To select any of the retirement benefit options above please complete the 'option selection form' and forward to [insert name, address and any other contact details].

**It is recommended that you seek professional financial advice to assist you in selecting the most suitable option and completing the option selection form.**

## 4. Risk statement

This scheme is funded by contributions paid by the employer and by scheme members. Actuarial advice will have been obtained when setting those contributions. However, there is no guarantee that the scheme will have sufficient funds to pay the benefits promised. It is therefore possible that the benefits payable under the scheme may have to be reduced. If the scheme is wound up and there is a deficit, the employer may not be under an obligation to fund the deficit or, even if the employer is under such an obligation, they may not be in a position to fund the deficit.

Further information in relation to this risk statement may be obtained from the trustees [insert contact details].

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<sup>1</sup> Your current pensionable salary is calculated by deducting 1.5 times the maximum single rate of State pension (contributory) from your salary to get your pensionable salary. The deduction is therefore approximately €17,963.40 (i.e. State pension X 1.5).

<sup>2</sup> The maximum tax-free amount of a retirement lump sum is €200,000. This tax-free amount is a lifetime limit and includes all retirement lump sums paid to an individual on or after 7 December 2005.

<sup>3</sup> A State pension will count towards this, as will your scheme pension.

## 5. Option selection form

<b>Member's name</b>		
<b>Member's ref number</b>		
Please indicate which option you are choosing and return form to [insert name, address and any other contact details].		
<b>Retirement options</b>		
<b>Option</b>	<b>Option selected</b>	<b>Provide details (e.g. increasing pension) and amount</b>
1   A tax free lump sum and a pension		[insert details]
2   A pension only		
<b>AVC options</b>		
<b>Option</b>	<b>Option selected</b>	<b>Provide details and amount</b>
1   Use AVCs to take tax free lump sum and therefore higher pension		[insert details]
2   Use AVCs to invest in an ARF		
3   Take your AVCs as taxable cash		
4   Use your AVCs to purchase an annuity		
<b>Signature:</b>		
<b>Date:</b>		