



ALLIED IRISH BANKS, p.l.c.

***A GUIDE TO
AIB GROUP IRISH PENSION SCHEME***

***Irish Members Booklet
(Pre-1998)***

Version 1.3 – December 2008

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AIB GROUP IRISH PENSION SCHEME

PRE-1998 IRISH MEMBERS' BOOKLET

DECEMBER 2008

Introduction

The AIB Group Irish Pension Scheme has been established by the Allied Irish Banks, p.l.c. to provide benefits for you and your dependants. The Scheme is a Defined Benefit scheme for the purposes of the Pensions Act 1990. The main purposes of the Scheme are:-

- To provide you with a secure income in retirement.
- To give your dependants financial protection in event of your death, either while you are employed by the Group or after you have retired.

The Scheme is designed to provide the following benefits:

1. A pension when you retire, part of which may be exchanged for a tax-free cash sum.
2. Protection for your dependants, providing a lump sum and pensions to your dependants if you die in service.
3. Pensions for your dependants if you die in retirement before them, plus a lump sum if your death occurs within five years of retirement.
4. Preserved benefits if you leave service before retirement, with an option to transfer to another pension arrangement.
5. Ill Health Pension in the event that you are unable to continue working due to serious ill-health or disability.

The benefits described in this booklet apply to those who were recruited to the Group during the period from 1.11.91 to 31.12.97, or who were members of other pension arrangements within the Group which were established prior to 1.11.91 and which have been transferred to this Scheme.

The benefits for this latter category will be calculated as if this Scheme had applied since they commenced their employment within the Group, subject to any special conditions which apply to those previous pension arrangements.

The Scheme is governed by and is described in detail in special legal documents of which this booklet is intended to be a summary. If there should appear to be a difference between this booklet and the legal documents, the latter will always be taken as correct. You may view the legal documents at any reasonable time on request to the Staff Pensions Department at Bankcentre. If you have any queries regarding your benefits under the Scheme you should also contact Staff Pensions Department.

The information set out in this booklet is in accordance with the Trustee's understanding of both tax law and pensions legislation. Those laws however, may change in the future in such ways as to make it necessary to amend the legal documents. Details of such amendments will be notified to you.

The Scheme is run by Allied Irish Banks Pensions Limited, a Trustee company which has a legal duty to protect members' and their dependants' interests. The Scheme itself is kept entirely separate from the Group's normal business affairs and the investments supporting the Scheme benefits are under the sole control of the Trustee. In carrying out its duties, the Trustee obtains professional advice from actuaries, investment managers and other professional advisers.

The assets of the Scheme are managed by professional investment managers appointed by the Trustee. The general management and day-to-day administration of the Scheme is carried out, on behalf of the Trustee, by Staff Pensions Department.

Definitions

Some of the terms and expressions used in this booklet have special meanings. These terms are explained below. If you have any queries as to how these terms apply to you, please contact Staff Pensions Department.

Normal Retirement Date is your 65th birthday or the date on which you complete 40 years of Pensionable Service, whichever occurs first. Some members have different Normal Retirement Dates depending on either status or the rules of their previous pension arrangements.

Pensionable Service is continuous permanent employment with the Group from age 23 or from date of entry to the AIB Group if later. For part-time members, the proportion of each year's service counts as Pensionable Service. For some members, Pensionable Service is as defined in the rules of previous arrangements.

Example 1:

Michael joined the Group on 1st January 1992 on a full-time basis. He worked on a 50% part-time basis from 1st January 1997 to the end of 2001 when he increased his hours slightly to 60%.

His Pensionable Service at the end of 2007:

$$5 \times 1 + 5 \times 0.5 + 6 \times 0.6 = 11.1 \text{ years}$$

Annual Salary is defined as basic annual salary. For part-time members it is the annualised figure that would apply if they worked full time. However, for some members, certain non-basic earnings e.g. house and overscale allowances may be included in Annual Salary.

Pensionable Salary is fixed at the date of retirement, death, or leaving service. It is calculated as Annual Salary less a deductive in respect of the State Pension. This deductive is 1.5 times the Single Person's Contributory State Pension and is €17,417.40 at present. For members who were included in previous arrangements where benefits did not allow for this deductive, it does not apply and Pensionable Salary is Annual Salary at the relevant date.

The application of a deductive in this definition is known as integration which means your benefits from the Scheme take account of the Old Age (Contributory) Pension. Both employers and employees make pay-related social insurance (PRSI) contributions and these in turn entitle scheme members to Social Welfare benefits.

Integration is used as a means of taking into account the benefits payable under the Social Welfare system to calculate the amount of scheme pension required so that the combined pension from both sources is at the level which is being aimed for in designing the scheme.

Example 2:

Maurice retires on his 65th birthday on 30th June 2008 after 17 years and 9 months Pensionable Service. His Annual Salary at retirement is €80,000. His pension entitlement is calculated as follows:

- Pensionable Salary in the DB Scheme = € (80,000 – 17,417.40) = 62,582.60
- Pension payable = €62,582.60 x 17.75 / 60 = €18,514.02 p.a.

Also, since Maurice is married to Breda (aged 60) he will receive, under the current Social Welfare framework, a State Pension of €19,349.20 p.a. (because Breda is an adult dependant under age 66). His total pension from all sources is €37,863.22.

The deductive is always based on the Single Person's Contributory State Pension regardless of contribution record and dependants.

Surviving Spouse is defined as the person who was the only spouse of a member and with whom they are living at the time of death, providing that the date of marriage (except for members in employment with the Group at the time of death) took place not less than six months before the date of death. Where a member is divorced or separated, that member may make a declaration as to whom the Surviving Spouse's pension should be paid and the Trustee has discretion to take such a declaration into account in deciding to whom payments may be made. The Trustee also has discretion to determine eligibility to benefit in individual cases.

Dependant Child is defined as a natural or adopted child under the age of 18 (or 21 if in full-time education) at the time of the member's death. The Trustee has discretion to continue children's pensions beyond age 18 (where the child is permanently disabled and financial hardship may exist) or beyond age 21 (if still in full-time education).

Membership of the Scheme

Q1 Who qualifies for membership?

A1 You are a member of this Scheme, as a condition of employment, if either:

You were recruited to the Group during the period 1.11.91 to 31.12.97, and satisfied the eligibility conditions which applied during that period. If you were recruited to the Group during the period 1.9.96 to 31.12.97, you must also have elected to join this Scheme by completing the requisite form in that regard.

or

You were a member of a previous pension arrangement within the Group, established prior to 1.11.91, which has transferred to this Scheme.

If you are unsure of your eligibility for this Scheme, please contact Staff Pensions Department.

You may also be asked for evidence of your age and marital status in the form of your birth and marriage certificates, if you have not already supplied them.

Contributions

Q2 Does my Employer contribute?

A2 The entire cost of providing your pension and death benefits is met by the Group. To assess the cost of providing these benefits, the Trustee asks the actuary to consider the present and future liabilities of the Scheme in the light of expected contributions from the Group, expected income from investments and the existing Scheme assets. The Actuary carries out regular valuations and proposes a contribution rate.

In addition to funding all retirement benefits, the Group also funds all costs and professional charges incurred in operating and administering the Scheme.

Q3 Do I contribute?

A3 No. Your employer covers all of the costs.

Q4 Can I make contributions to increase my pension benefits?

A4 Yes. The Group has a special facility for members to increase their retirement benefits by making personal contributions within Revenue limits. Each member's capacity to make such contributions must be assessed individually.

This facility offers an easy way to save for retirement, with a number of attractive tax advantages. The personal contributions made are known as Additional Voluntary Contributions (AVCs).

Additional Voluntary Contributions are paid into the AIB Group Irish Defined Contribution Pension Scheme. Full details are contained in that scheme's members' booklet which is available from Staff Pensions Department.

Benefits

Q5 What happens if I die in service?

A5 If you die in service, then according to whether you are single or married, a range of benefits is payable as follows:

1. Lump Sum

A lump sum of four times Annual Salary is payable. For part-time staff, Annual Salary will be actual basic annual salary being received. The value of any AVCs you have made is also paid in addition. You may indicate whom you would like to receive this sum by completing a Nomination Form (see below).

2. Surviving Spouse's Pension

A Surviving Spouse's pension equal to 50% of the pension you expected to receive at Normal Retirement Date is payable based on your Pensionable Salary at date of death. The pension is payable for your Surviving Spouse's lifetime even though he/she may remarry. In addition to the Scheme benefits, State benefits may also be payable.

3. Dependant Children's Pensions

Dependant Children's pensions are also payable to a maximum of 3 children at any one time. For each child the pension is equal to one third of your Surviving Spouse's pension.

On the death of a spouse in receipt of a Surviving Spouse's pension, or on the death of a member who is a widow or a widower, the amount of each child's pension is doubled.

In the case of physically or mentally incapacitated children who are unable to provide for themselves, the benefits will continue to be paid irrespective of age. However, the Trustee of the Scheme reserves the right to reduce or discontinue the benefit if such a person is receiving suitable care or support from public services or any other person.

Example 3:

Mrs Y joined the Group in December 1987 as a single woman aged 25. She subsequently married and had two children before she unfortunately died in 2008 while still in service. Her basic annual salary at date of death was €81,000 p.a.

- A pension is paid to Mr Y from the DB Scheme of:
50% of 40/60 of €81,000 = €27,000
plus a pension of €9,000 p.a. payable to each of their two children until age 18 or until (at the discretion of the Trustee) they finish their full-time education
- Lump Sum Benefit payable from the DB Scheme
= 4 times €81,000 = €324,000

4. Nomination Form

One of the responsibilities of the Trustee is to decide who should receive the lump sum payable if a member dies.

In order to help the Trustee make that decision every member should consider completing a Nomination Form to show whom they wish to receive the lump sum. This form can be obtained from Staff Pensions Department. Although the Trustee cannot be bound by the member's wishes, they will always be taken into account. Your completed Nomination Form

will be given to the Trustee in a sealed envelope and will only be opened in the event of your death.

You should ensure that your Nomination Form is up to date and if you wish to change your nomination you should complete a new form. Further Nomination Forms can be obtained from Staff Pensions Department.

Q6 When can I retire?

A6 Your pension becomes payable to you at your Normal Retirement date unless you are granted early retirement or an ill-health pension.

Q7 What pension will I receive at Normal Retirement Date?

A7 At Normal Retirement Date you are entitled to an annual pension which is calculated at the rate of 1/60th of your Pensionable Salary for each year of Pensionable Service up to a maximum of 40 years service. However, some members of other previously established arrangements within the Group who have transferred to this Scheme may be entitled to an annual pension which may be calculated on a different basis, depending on the terms of their transfer. If you have any queries regarding how your pension is calculated, please contact Staff Pensions Department.

For all members, the maximum annual pension payable on retirement under this Scheme is two-thirds of Pensionable Salary or a lower amount in order not to breach Revenue limits.

Example 4:

Aoife joined the Group on 1st December 1976 and will retire on 30th November 2008 on her 65th birthday after 32 years service. Her Annual Salary at retirement is €43,200 p.a. Her pension entitlement is calculated as follows:

- Pensionable Salary = €43,200
- Pension from the DB Scheme = €43,200 x 32/60 = €23,040

In addition, under the current Social Welfare framework, Aoife would receive a State Pension of €11,611.60, bringing her total pension from both the Group and the State to €34,651.60.

Q8 What pension will I receive if I retire early?

A8 In certain circumstances you may be able to retire early and receive an immediate pension from the Scheme. Early retirement from employment is subject to the agreement of the Group. You should remember that no State Retirement Pension is payable until you reach State Pension Age which at present is 65 for both males and females.

Once you are aged 50 or over you may request early retirement. If you are in the Group's employment when you make this request, it is subject to the agreement of the Group. You will receive a pension calculated in the same way as your Normal Retirement Pension, but based on your Pensionable Service and Pensionable Salary at the date of your actual retirement. (For members whose pension entitlement in their previous Group arrangement was based on 2/3rds Pensionable Salary, the early retirement pension will be a proportion of 2/3rds that actual service in employment completed bears to potential service in employment to Normal Retirement Date.)

Example 5:

Paul is given permission by the Group to retire in 2008 on his 61st birthday. His Annual Salary on retirement is €54,900 and he has 38 years' Pensionable Service.

- Paul's pension from the DB Scheme is $38/60 \times €54,900 = €34,770$ p.a.
- Under the current Social Welfare framework, Paul should also be entitled to the State Pension (Transition) when he reaches age 65 (provided he is retired).

Should you leave the Group's employment prior to attaining your Normal Retirement Age, you may request early payment of your deferred pension, provided you are aged 50 or over. Early payment of a deferred pension requires the permission of the Trustee. Subject to that permission, you will receive an immediate pension based on your pension entitlement, as calculated at your date of leaving employment, increased in accordance with legislation and reduced by an actuarial factor to reflect that your deferred pension is being paid earlier than your Normal Retirement Date.

Example 6:

Gráinne worked for ten years with the Group ending in 2006. Her pension entitlement at that time was €6,000 p.a. payable from her 65th birthday. She applied to the Trustee for permission to take her pension early on her 60th birthday in 2008. The Trustee has agreed and her pension entitlement is:

- $€6,000 \times 1.06 \times 0.70 = €4,452$ p.a.

The factor of 1.06 represents revaluation on her pension entitlement at leaving (see Q13) while the factor of 0.7 represents the reduction in pension caused by starting payments five years earlier than Normal Retirement Date.

Q9 What happens if I need to retire early due to ill-health?

- A9** If you become seriously ill or disabled and as a result you are unable to continue working, you may be eligible for benefit under the Group's Income Protection policy which is designed to provide you with an income up to your Normal Retirement Date or earlier return to work.

In certain circumstances, the Trustee may decide to pay a pension from this Scheme. Such a decision would require satisfactory medical evidence to be submitted to the Trustee who would also determine the amount of pension payable.

Q10 Can I take part of my pension as a lump sum?

- A10** Yes. You may opt to take part of your pension as a tax-free lump sum when you retire, the amount of cash you may take being determined by your length of Pensionable Service and by your Pensionable Salary at retirement.

You may take up to $3/80^{\text{ths}}$ of Pensionable Salary for each year of Pensionable Service up to a maximum of 40 years. (For members who joined the Group prior to September 1977, slightly more generous limits may apply).

The amount of pension surrendered to obtain your tax-free lump sum is calculated by reference to tables recommended by the actuary to the Scheme from time to time. You can only surrender that part of the pension which is payable during your lifetime. Surviving Spouse's and Dependant Children's pensions are unaffected by any actions you take in this regard.

Example 7:

If in example 4, Aoife's earnings were €48,000 p.a. she could take at least a

➤ Tax-free lump sum = €48,000 x 32 x 3/80 = €57,600

Her pension would be reduced by €1 for every €17 (the factor from the recommended actuarial tables) lump sum i.e. a reduction of €3,388.24 p.a. This process is known as 'commutation'.

This leaves Aoife with a pension payable from the DB Scheme of

➤ €23,040 - €3,388.24 = €19,651.76 p.a.

Q11 How will my pension be paid?

A11 Your pension will be paid monthly in arrears to an Irish euro-denominated bank account of your choice unless the Trustee agrees otherwise. The Trustee is required to operate PAYE and PRSI (Health Levy) in respect of pension payments.

Pensions, including Surviving Spouse's and Dependant Childrens' pensions are annually reviewed by the Trustee on the 1st April having regard to changes in the Consumer Price Index (CPI) for the preceding year. The Trustee has absolute discretion as to the amount of pension increases sanctioned. In the event that the Trustee decides to award an increase which is less than CPI, the Bank has undertaken to make up the difference for that year, and will continue to do so until future awards by the Trustee restore the position to parity with CPI on a cumulative basis.

Details of increases sanctioned are provided in the Trustee's Annual Report.

Q12 What will my Surviving Spouse and Dependants be due on my death after retirement?

A12 When you die after you retire your dependants will be entitled to receive benefits as follows:

A Surviving Spouse's pension is payable immediately on your death. It is equal to half of your pension calculated as if you had not exchanged any pension for a lump sum at retirement, and includes any pension increases granted on your pension since retirement. This pension is payable for his/her lifetime even though he/she may re-marry.

In addition, Dependant Children's pensions are payable similarly as for Death in Service (see above).

Furthermore, if you die within 5 years of your retirement, the balance of 5 years' pension payments is payable as a lump sum irrespective of marital status.

Example 8:

John retires on his 62nd birthday on a pension of €40,000 p.a. payable from the DB Scheme, of which he surrendered €10,000 p.a. for a tax-free lump sum of €180,000 (based on a commutation rate of €18 of cash for the surrender of €1 of John's pension). That left him a pension initially payable at the rate of €30,000 p.a.

Unfortunately John died aged 64½ leaving Mary a widow. During the time John had been paid his pension, it had risen from €30,000 p.a. to €33,000 p.a., i.e. a rise of 10%.

On John's death, Mary's pension is €22,000 p.a., being half of €40,000 p.a. plus 10% (commutation doesn't affect a Surviving Spouse's pension). In addition, a lump sum of €82,500 (30 times €2,750, which is the amount of unpaid instalments of the five year guarantee, based on the level of John's pension being paid when he died), will be paid to John's estate or held in trust for John's dependants.

Q13 What happens if I leave the Group before I am due to retire?

A13 Should you leave the Group your entitlement to Death in Service Benefit ceases on the day you leave. Your retirement pension benefits, however, will be preserved if you have completed at least 2 years' Pensionable Service. If you have less than 2 years' Pensionable Service you will have no pension entitlement (except a refund less tax of any AVCs that you may have made).

Deferred Benefits

If you leave with more than 2 years' Pensionable Service you will be entitled to a Deferred pension which is payable at Normal Retirement Date based on your Pensionable Service and Pensionable Salary at your date of leaving.

Example 9:

Áine worked for 15 years with the Group ending in 2006. On leaving, her basic Annual Salary was €24,000.

Áine's benefits in the DB Scheme are $15/60$ of €24,000 = €6,000 p.a. which is payable from age 65.

Your Deferred pension will be revalued each year on 31st December at the rate of increase in the CPI, (pro-rata in the year of leaving) subject to a maximum annual rate of 4%p.a. to apply in any year, between your date of leaving and your Normal Retirement Date.

If you die after you leave, but before Normal Retirement Date, with an entitlement to a Deferred pension, your Surviving Spouse will receive a pension of 50% of your Deferred pension, plus any revaluations granted to date of death. That Surviving Spouse's pension will then increase in payment as per Q11 above. In addition, Dependant Children's pensions will be payable where appropriate.

Transfers

In lieu of leaving your Deferred benefits in the Scheme, you may opt to transfer the value of those benefits. You may have the transfer value paid to:

- A Revenue approved pension scheme of a subsequent employer, or
- An approved individual pension arrangement

Please contact Staff Pensions Department for the necessary documents if you wish to transfer your benefits. There are certain restrictions which apply and may prevent you from making a transfer.

Miscellaneous

Q14 What tax and PRSI benefits are available?

A14 The benefits provided through this Scheme have been designed to be approved by the Revenue Commissioners so that certain tax advantages become available:

- The contributions paid by the Group will not be added to your salary and taxed as income
- Any AVCs you make attract relief from Income Tax, PRSI and levies
- When you retire, part of your pension may be exchanged for a tax-free cash sum
- Income earned on the Scheme's investments (including AVCs) is almost completely tax-free

Your pension itself, however, will be taxed through PAYE in the same way as your normal salary.

Q15 Can I assign my pension benefits against a creditor?

A15 You may not assign or otherwise dispose of your benefits under the Scheme, nor can any pension be served by creditors for payment of debts.

Q16 Can the Rules of the Scheme be amended?

A16 Although it is intended that the Scheme will be continued in its present form, as a matter of normal commercial prudence, the Group reserves the right to amend or terminate it at any time.

The procedure to be followed for disposal of the Scheme's assets amongst the members in the event of a termination is laid down in the legal documents. In such event, the benefits are not secured by separate insurance policies nor is there any obligation on the Group to pay any further contributions if the assets of the Scheme are insufficient to meet its liabilities.

Q17 Is the Scheme approved?

A17 The Scheme is approved by the Revenue Commissioners under Chapter 1 of Part 30 of the Taxes Consolidation Act 1997 and conforms to the provisions of the Pensions Act 1990 as amended. Your benefits cannot exceed the maximum limits approved by the Revenue. You will be advised if your benefits have to be restricted in any way.

Q18 Is the Scheme registered with the Pensions Board?

A18 The Scheme is registered with the Pensions Board. The registration number is PB1744

Q19 What happens if I am separated or divorced?

A19 In the event of a judicial separation or divorce a Court application for a Pension Adjustment Order in respect of the retirement or contingent benefits payable to or in respect of a married member may be made. Further information about the operation and impact of Pension Adjustment Orders may be obtained from the Pensions Board or from Staff Pensions Department.

Q20 What do I do if I have a complaint?

A20 Please contact Staff Pensions Department in the first instance who will send you the requisite form. The Trustee has established an Internal Dispute Resolution procedure, details of which will be advised to you.

Q21 Who do I contact if I need more information?

A21 For further information about the Scheme or individual entitlements, please contact:

The Manager
Staff Pensions Department,
Block K4,
AIB Bankcentre,
Dublin 4

Telephone: (+353 1) 641 2605
Fax No: (+353 1) 660 7033
E-mail: pensions@aib.ie
Alimail: IR.PENSIONS
Intranet: From Intranet homepage: Under HR link, Pensions

Other Useful Contacts

- The Pensions Board
Verschoyle House
28/30 Lower Mount Street
Dublin 2

Tel no: (01) 613 1900
E-mail: pb@pensionsboard.ie
Website: www.pensionsboard.ie
- Office of The Pensions Ombudsman
36 Upper Mount Street
Dublin 2

Tel no: (01) 647 1650
E-mail: info@pensionsombudsman.ie
Website: www.pensionsombudsman.ie
- FOR STATE PENSION APPLICATIONS:
Department of Social and Family Affairs
Social Welfare Services Office
College Road, Sligo

Tel No: 1890 500 000
E-mail: info@welfare.ie
Website: www.welfare.ie
- FOR PRSI CONTRIBUTION RECORDS:
Department of Social and Family Affairs
Central Records Section
Gandon House, Amiens Street, Dublin 2
Tel: (01) 7043000

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