HYBRID PENSION ARRANGEMENTS

Member Booklet

Version 1.4 – August 2011

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1. Introduction

On 1st December 2007, AIB introduced new arrangements for pension provision in the Republic of Ireland as a condition of employment for staff joining AIB on or after that date. Staff in the ***DC Scheme*** on 30th November 2007 had an option to join the ***Hybrid arrangements*** or to continue with their existing pension arrangement in the ***DC Scheme***.

This guide aims to give you a quick overview of those ***Hybrid arrangements***. There are other more formal documents (***Trust Deed and Rules*** etc) which are the definitive source of your benefits and, of course, these documents are relied upon if a question of interpretation should arise. You can, if you wish, examine the formal documentation by contacting ***Staff Pensions.***

This guide should be read in conjunction with the separate Glossary of Pension Terminology which details all the terms indicated by bold italicised letters in the text of this guide.

It's important to realise that the ***Hybrid arrangements*** do not constitute a separate pension scheme. Every member of staff subject to these ***Hybrid arrangements*** is automatically a member of the ***AIB Group Irish Pension Scheme*** (the ***"DB Scheme").*** Depending on the level of your ***Basic Annual Salary,*** you may also be a member of the ***AIB Group Defined Contribution Scheme*** (the ***"DC Scheme***"). You may also become a member of the ***DC Scheme*** if you make ***Additional Voluntary Contributions (AVCs)*** in excess of the required minimum level of 5% of ***Pensionable Salary***.

Under these ***Hybrid arrangements***, AIB has adopted a three-tier approach to pension provision.

1. Your ***Basic Annual Salary*** up to a certain level known as the ***Deductive*** does not count towards your pension from AIB. This is known as ***State Integration***. The Irish State provides a ***State Pension*** which results from the social insurance contributions made by yourself and AIB.
2. Between the ***Deductive*** and an upper limit or ***Cap***, your pension comes from the ***DB Scheme***
3. If your ***Basic Annual Salary*** exceeds the ***Cap***, the part of your ***Basic Annual Salary*** in excess of the ***Cap*** generates pension rights in the ***DC Scheme.***

Both the ***DB Scheme*** and the ***DC Scheme*** are approved by the Revenue under Chapter 1 of Part 30 of the Taxes Consolidation Act, 1997.

The ***DB Scheme*** (number PB1744) and the ***DC Scheme*** (number PB78012) are registered with the Pensions Board.

The ***DB Scheme*** has a trustee company, Allied Irish Banks Pensions Limited, 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 ***DC Scheme***, has a trustee company, AIB DC Pensions (Ireland) Limited, 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 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 information in this guide is based on the ***Trustees***' understanding of tax regulations and legislation in force at the time of publication. If any significant changes occur in the future you will be advised.

Although it is intended that the Schemes will be continued in their present form, as a matter of normal commercial prudence, ***the Group*** reserves the right to amend or terminate them at any time. ***Trustee*** consent is required for any amendment.

The procedures to be followed for disposal of the Schemes' assets amongst the members in the event that the schemes are discontinued are laid down in the legal documents. In such event there is no obligation on ***the Group*** to pay any further contributions if the assets of the ***DB Scheme*** are insufficient to meet its liabilities. In the event of the discontinuance of the ***DC Scheme,*** the assets in the ***DC Scheme*** will be applied in accordance with the ***DC Scheme's*** legal documents in respect of members of the ***DC Scheme***. There is no obligation on ***the Group*** to pay any further contributions to the ***DC Scheme.***

2. Rules applying to the Hybrid arrangements

2.1 Eligibility

Everyone who joins AIB on or after 1st December 2007 (unless they are subject to special contractual conditions) and existing staff who opted for the ***Hybrid arrangements*** on 1st December 2007 are members of the ***DB Scheme*** in respect of their ***Basic Annual Salary*** up to a certain limit or "***Cap***". At present that "***Cap***" is €65,136 p.a. and it will move at the annual ***Renewal Date*** (currently 1st January) in line with the maximum of the AIB Bank Assistant Manager pay range. All Hybrid members belong to a special category within the ***DB Scheme*** with its own set of rules which are outlined below.

Those members whose salaries exceed the "***Cap***" will become members of the ***DC Scheme*** in respect of that part of their ***Basic Annual Salary*** above the "***Cap***".

2.2 How is my pension calculated?

<u>DB Element</u>

When you retire from service with ***the Group***, your benefits from the ***DB Scheme*** will be based on the length of your ***Pensionable Service*** in the ***DB Scheme*** and your ***Final Pensionable Salary*** at retirement.

Your ***Final Pensionable Salary*** is multiplied by your ***Pensionable Service*** as a member of the ***DB Scheme***. The answer is divided by 60 to give your starting pension (which may increase every year on 1st April, see 2.4 below). Allowance is made on a proportionate basis for part years of ***Pensionable Service***, part time service, career breaks or any other period of non-pensionable service.

State Integration is used as a means of taking into account the ***State Pension*** 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 the Scheme design.

The ***Deductive*** is always based on the ***Single Person's Contributory State Retirement Pension*** regardless of contribution record and ***Dependants***.

DC Element

Your ***DC Fund*** can have a number of elements:

- contributions on your ***Basic Annual Salary*** above the ***Cap*** in the ***Hybrid arrangement***
- ***AVCs***
- funds transferred in from pension arrangements relating to any previous employment or period of self-employment

Your ***DC Fund*** may be used at retirement to purchase a pension from an ***Insurance Company*** or be converted to a combination of an ***Approved Minimum Retirement Fund (AMRF)*** and/or an ***Approved Retirement Fund (ARF)*** and/or be used as a source of funds for ***Commutation*** purposes. In any case, you cease to be a member of the ***DC Scheme*** or to have any further entitlement under the ***DC Scheme***. The value of your ***DC Fund*** at retirement will mainly depend on the following factors:

1. The contributions paid into your fund; and
2. The investment returns on those contributions.

The following examples (which are expressed in 2011 monetary amounts) may help to make things clearer.

Example 2.2.1

Aoife started in AIB on 1st December 2010 and retires on 30th November 2052 on her 65th birthday after 42 years service. Her ***Final Pensionable Salary*** at retirement is €30,000 p.a., (being €47,963 less the ***Deductive*** of €17,963) Her pension entitlement is calculated as follows:

- Aoife's Pension from the ***DB Scheme*** = €30,000 x 42/60 = €21,000 p.a.

In addition, under the recently introduced changes to the ***State Pension***, Aoife would receive a ***State Pension*** of €11,975 p.a., from 30th November 2055 (age 68).

Example 2.2.2

Maurice starts in ***the Group*** on 1st August 2011 and retires on his 68th birthday on 30th April 2052 after 40 years and 9 months service in the ***Hybrid arrangements***. His ***Final Pensionable Salary*** in the ***DB Scheme*** at retirement is €47,173 p.a., being €65,136 less the ***Deductive*** of €17,963. His pension entitlement subject to compliance with ***Revenue*** limits is calculated as follows:

- Maurice's Pension from the ***DB Scheme*** = €47,173 x 40.75/60 = €32,038 p.a.

In addition, Maurice would receive whatever pension his fund in the ***DC Scheme*** buys on his retirement, let's say €11,000 p.a. Also, assuming he qualifies for full ***State Pension*** benefits and, since Maurice is married to Breda (aged 60) he will receive, under the recently introduced changes to the ***State Pension,*** a ***State Pension*** of €19,958 p.a., from 30th April 2052 (as Breda is his dependant).

Please note the ***Deductive*** is always based on the ***Single Person's Contributory State Retirement Pension*** regardless of contribution record and dependants.

2.3 Can I take cash instead of pension?

Yes, up to certain limits. Under current legislation, at retirement you are entitled to take a lump sum which depends on your service with ***the Group*** and your final earnings. It is subject to ***Revenue*** limits and some of it may be tax-free. ***Commutation*** from the ***DB Scheme*** reduces the level of your ongoing pension paid from retirement.

In example 2.2.2, if Maurice's final earnings were €100,000; he could take up to €150,000 as a lump sum which could be tax-free under current ***Revenue*** limits. Maurice could receive this cash amount from either his ***DB*** or ***DC elements*** or a combination of both.

2.4 Does my pension increase when I'm a pensioner?

The increases under the ***DB*** and ***DC*** elements will apply as follows:

<u>DB Element</u>

Pensions in payment from the ***DB Scheme*** (including surviving Spouse's and Dependant Children's' Pensions) are reviewed annually by the ***Trustee*** on 1st April having regard to the changes in the ***Consumer Price Index (CPI***) for the preceding year. The ***Trustee*** has absolute discretion as to the amount of pension increases, if any, to be sanctioned.

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

<u>DC Element</u>

The pension you choose to buy from an ***Insurance Company*** by using your ***DC Fund*** can be with or without increases as you wish. Increases can also be at a fixed rate if that is what you opt for when purchasing your pension.

2.5 What happens when I die after retirement?

<u>DB Element</u>

Provided you've been married for at least six months, your ***Spouse*** will receive a pension equal to half the level of your pension from the ***DB Scheme*** at retirement (before you surrendered any of it by way of ***Commutation***) as increased by the increases applied to your pension since then. Your ***Spouse's Pension*** continues to be reviewed annually by the ***Trustee*** to decide if it will be increased (see 2.4 above). ***Dependant Child's*** pensions are payable similarly as for Death in Service (see below).

In addition, if you die within five years of retirement, the balance of the sixty monthly instalments due to be paid over that period will be paid as a lump sum calculated on the level of pension which was being paid at date of death. This amount is paid to your estate or held in trust for your ***Dependants***.

DC Element

Any benefits payable from your ***DC Fund*** will depend on whether you bought a pension which is due to continue to your ***Spouse*** and whether it has a guaranteed minimum number of payments. If you decided to set up an ***ARF/AMRF***, it can, under current legislation, pass tax-free to your ***Spouse*** who may continue to draw down income as he/she requires.

Example 2.5.1

John retired on his 62nd birthday on a pension of €20,000 p.a. payable from the ***DB Scheme***, of which he surrendered €10,000 p.a. for a lump sum of €180,000 (Based on a ***Commutation*** rate at the time of €18 of cash for the surrender of €1 of John's pension). That left him a pension initially payable at the rate of €10,000 p.a. Unfortunately John died aged 64½ leaving Mary a widow. During the time John had been paid his pension, it had risen from €10,000 p.a. to €10,500 p.a., i.e. a rise of 5%.

On John's death, Mary's pension is €10,500 p.a. being half of €20,000 p.a. plus 5% (***Commutation*** doesn't reduce a ***Spouse's Pension***). In addition a lump sum of €26,250 (30 times €875, which is the amount of unpaid instalments of the sixty month 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.***

Example 2.5.2

Jean retired on her 65th birthday on a pension of €20,000 p.a., payable from the ***DB Scheme***. She did not opt for any ***Commutation***. She also purchased a pension of €10,000 p.a. from an ***Insurance Company*** using her ***DC Fund***. She opted for that pension not to increase, but to continue in full to her husband Jack if Jean pre-deceased him.

After ten years, Jean passed away leaving Jack a widower. Over that period, her pension from the ***DB Scheme*** had risen to €25,000 p.a. Jack's pension on Jean's death is 50% of €25,000 p.a., plus €10,000, from the ***Insurance Company***, i.e. a total of €22,500 p.a. Jack would continue to get any future increases on the €12,500 p.a. element of his pension from the ***DB Scheme***.

2.6 When can I retire?

The ***Normal Retirement Date*** for each member under the ***Hybrid arrangements*** is their ***State Pension Age*** when that member joined the ***Hybrid arrangements***. The ***State Pension Age*** changed on 29th June 2011 increasing from 65 to 66, 67 or 68 depending on date of birth. That means that all existing members who joined before that date have a ***Normal Retirement Date*** of their 65th birthday. New members who joined on or after that date have a ***Normal Retirement Date*** determined by their date of birth as follows.

Date of Birth	Normal Retirement Date
Before 1st January 1949	65th birthday
After 31st December 1948 but before 1st January 1955	66th birthday
After 31st December 1954 but before 1st January 1961	67th birthday
After 31st December 1960	68th birthday

Members who have a ***State Pension Age*** of age 65 are also eligible to receive the State Pension (Transition) at age 65, provided they are actually retired from the workforce. This State Pension (Transition) was previously known as "The State Retirement Pension" and will cease in 2014 when the ***State Pension Age*** rises to 66.

Early retirement from employment is subject to the agreement of ***the Group***. 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*** (and may under the Pensions Act also be subject to Trustee consent).

If you choose to retire early with the agreement of the Group, then your pension from the ***DB Scheme*** will be actuarially reduced to take account of the fact that it would be payable earlier than your ***Normal Retirement Date***. The amount of that reduction can only be known at your retirement but, as a rule of thumb, it is about 4% for every year between your age at retirement and your ***Normal Retirement Date***.

All members of the ***Hybrid arrangements*** are subject to the ***Rules*** of the relevant categories within the ***DB*** and ***DC Schemes*** and any relevant legislation which might affect early retirement.

Your retirement income from the ***DC Scheme*** will either be from any pension purchased from an ***Insurance Company*** by you with your ***DC Fund*** at your retirement and/or any monies drawn down from your ***ARF/AMRF***. When you purchase that income or transfer to an ***ARF/AMRF***, you cease to be a member of the ***DC Scheme*** and you cease to have any further entitlement under the ***DC Scheme.***

If the State further alters the ***State Pension Age***, the ***Normal Retirement Date*** under the ***Hybrid arrangements*** will follow suit. Any such change, however, will only affect new members after that decision by the State is enacted. All existing members at that time retain their existing ***Normal Retirement Date.***

Example 2.6.1

Paul retires in 2055 on his 66th birthday (2 years early). His ***Final Pensionable Salary*** on retirement is €39,000 p.a. being €56,963 less the ***Deductive*** of €17,963 and he has 40 years' service.

- Paul's pension from the ***DB Scheme*** is: 40/60 x € 39,000 = €26,000 p.a. which is then reduced for early payment.

If we say that the reduction ruling in 2055 for a person retiring two years early is 8%, which reduces his pension from the ***DB Scheme*** to €23,920 p.a. since he is retiring early.

He will also be entitled to a ***State Pension*** when he reaches age 68.

Example 2.6.2

Orla retires on her 62nd birthday in 2049 with 42 years ***Pensionable Service***, having joined ***the Group*** on 1st December 2007 on her 20th birthday. Her ***Normal Retirement Date*** is her 65th birthday. Her ***Final Pensionable Salary*** in the ***DB Scheme*** at retirement was €47,173 being €65,136 less the ***Deductive*** of €17,963 p.a. and her total earnings were €100,000 p.a.

- Orla's pension from the ***DB Scheme*** is 42/60 x € 47,173 = €33,021 p.a. which is then reduced for early payment.

If we say that the reduction ruling in 2049 for a person retiring three years early is 12%, this then reduces Orla's pension from the ***DB Scheme*** to €29,058 p.a. Orla's ***DC Fund*** is €300,000 (which was built up from a combination of ***AVCs*** and contributions on Orla's ***Basic Annual Salary*** above the ***Cap***). She takes half as a lump sum and buys another €7,500 p.a. of non-increasing pension from an ***Insurance Company*** with the other half. She is also entitled to a ***State Pension*** when she reaches age 68.

2.7 *What happens if I leave the Group before I retire?*

If you have less than two years' service, you can take a refund of your own contributions as a cash lump sum payable immediately and subject currently to 20% tax. Alternatively you can transfer your own contributions to another ***Approved Pension Arrangement.***

The total of your own contributions is the sum of the ***Member Contributions*** you have made to the ***DB Scheme*** plus the value of the ***Member Contributions*** you have made to the ***DC Scheme*** (including ***AVCs***).

If you have two years or more service, then you are not entitled to a refund. Instead you have ***Deferred Benefits*** within the ***Hybrid arrangements*** which can be left in the AIB Scheme(s) until ***Normal Retirement Date*** or transferred to another ***Approved Pension Arrangement***.

If you transfer any benefit into the AIB ***DC Scheme*** from another ***Approved Pension Arrangement***, then the service in that arrangement counts towards the two-year rule for both the ***DB*** and ***DC elements*** of the ***Hybrid arrangements***, but not towards your ***Pensionable Service*** in the ***DB Scheme***.

Example 2.7.1

Fiona worked for ten years with ***the Group*** starting in 2009. On leaving, her ***Final Pensionable Salary*** in the ***DB Scheme*** was €47,173, being €65,136 less the ***Deductive*** of €17,963 and she had made €12,000 in ***AVCs***.

Fiona's benefits in the ***DB Scheme*** are 10/60 of € 47,173 = €7,862 p.a. which is payable from age 65, plus a ***DC Fund*** of €30,000 (we have assumed this figure has built up from her ***AVCs*** and both her and her employer's contributions above the ***Cap***) at leaving, which will continue to be invested in accordance with her wishes until she retires at age 65.

Her ***Deferred Benefits*** in the ***DB Scheme*** will increase in line with statutory requirements. When she retires, the rules of the ***Hybrid arrangements*** at that time will apply while the value of her ***DC Fund*** will be used by her to purchase income from an ***Insurance Company,*** transfer to an ***ARF/AMRF,*** and/or take a lump sum at the same time as her pension from the ***DB Scheme*** is drawn down. When she utilises her ***DC Fund*** to provide pension benefits, she will cease to be a member of the ***DC Scheme*** and she will cease to have any further entitlement under the ***DC Scheme.***

Example 2.7.2

Steve works for eighteen months with ***the Group***. Over that period, he contributed €3,500 to the ***DB Scheme*** and €1,500 to the ***DC Scheme***. He also made a one-off ***AVC*** of €1,000. The value of his ***DC Fund*** (including €300 investment return) is €2,800 on leaving.

Steve can have either a cash refund of € (3,500 + 2,800) less 20% tax of €1,260 = €5,040 or he can have the full €6,300 transferred to another ***Approved Pension Arrangement.***

If you die after you leave, but before ***Normal Retirement Date,*** with an entitlement to a ***Deferred Benefit*** which has not been transferred to another ***Approved Pension Arrangement*** at the date of your death, the following benefits shall become payable.

Under the ***DB Scheme***, your ***Spouse*** will receive a pension equal to half the level of your ***Deferred Benefit*** under the ***DB Scheme*** plus any revaluations granted to date of death. In addition, ***Dependant Children's*** pensions will be payable where appropriate under the ***DB Scheme***. Under the ***DC Scheme,*** if you leave with an entitlement to a ***Deferred Benefit*** relating to your ***DC Fund,*** then your ***DC Fund*** value at that time will be payable to your Spouse/Dependents/Estate.

2.8 What happens if I die while working for the Group?

If you die in service, benefits are payable to your estate or to your ***Dependants*** or the beneficiaries named in your ***Form of Nomination***.

These benefits depend on whether you are a ***Single Member*** or a ***Family Member***.

Single Members are covered for a lump sum of twice ***Basic Annual Salary*** (before application of the ***Deductive***). If their ***Basic Annual Salary*** exceeds the "***Cap***" of €65,136 p.a., then this lump sum payment will come partly from the ***DB Scheme*** and partly from the ***DC Scheme.***

Family Members' benefits are twofold:

(a) A lump sum payment of four times ***Basic Annual Salary*** up to the "***Cap***" (before application of the ***Deductive***) is provided from the ***DB Scheme***.

For ***Family Members*** earning above the "***Cap***", a further lump sum of twelve times their ***Basic Annual Salary*** above the "***Cap***" is provided from the ***DC Scheme***, which can be used to purchase pension for their ***Spouse/Dependants*** or which may be available as a lump sum.

(b) A ***Spouse's Pension*** of half the member's pension calculated using his ***DB Scheme Final Pensionable Salary*** at date of death and his service in the ***DB Scheme,*** as if he had remained in service with ***the Group*** until ***Normal Retirement Date***. In addition, further pensions are payable to ***Dependant Children***, equal to one-third of the ***Spouse's Pension*** for each ***Dependant Child*** up a maximum of three children, at any given time. ***Dependant Childs'*** pensions are payable up to age 18, or 21 if in full-time education approved by the ***Trustee*** (this may be extended at the discretion of the ***Trustee***).

The benefits above for all ***Single*** and ***Family Members*** are in addition to a refund of the sum of their member contributions to the ***DB Scheme*** plus the value of all their contributions (member only) to the ***DC Scheme*** including ***AVCs***.

Example 2.8.1

Mr. X, a single man in his twenties, died suddenly in 2009. He joined ***the Group*** in 2008 and had contributed €1,500 to the ***DB Scheme***. He also had made €1,000 of ***AVCs*** which had declined due to investment performance to €950 at his date of death. His ***Basic Annual Salary*** was €30,000 at the time of his death.

- Benefit payable:

	€60,000	(2 x ***Basic Annual Salary***)
plus	€1,500	(***DB Scheme Member Contributions***)
plus	€950	(Value of ***AVCs)***
Total	€62,450	payable to his estate

Example 2.8.2

Mrs. Y joined ***the Group*** in December 2007 as a single woman aged 18. She subsequently married and had two children before she unfortunately died in 2016 while still in service. She had made €20,000 in contributions to the ***DB Scheme*** and her ***DC Fund*** had risen in value to €60,000 by the time she died, of which €25,000 was as a result of her own ***Member Contributions***. Her ***Basic Annual Salary*** at date of death was €82,000 p.a.

Benefits Payable:

- A pension is paid to Mr. Y from the ***DB Scheme*** of:
  50% of 47/60 of € (65,136 – 17,963) = €18,476p.a.
  plus a pension of €6,158 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.

plus

- Lump Sum Benefit payable from the ***DB Scheme***:
  = 4 times €65,136 (the ***Cap***) i.e. €260,544
  plus €20,000 in ***Member Contributions*** = €280,544

plus

- Lump Sum Benefit payable from the ***DC Scheme***:
  = 12 times € (82,000 – 65,136) (***Basic Annual Salary*** above the ***Cap***)
  i.e. €202,368, plus €25,000 from ***Member Contributions*** = €227,368

therefore

- Total Lump Sum Benefit = €507,912

Some of the total Lump Sum Benefit may have to be used to purchase a pension for Mr. Y and/or ***Dependant Children*** according to ***Revenue*** limits

2.9 Pension Adjustment Orders

In the event of 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 member may be made.

Further information about the operation and impact of Pension Adjustment Orders may be obtained from ***Staff Pensions*** or the Pensions Board.

3. Contributions

3.1 Member Contributions

Under the ***Hybrid arrangements***, you must contribute 5% of the amount of your ***Pensionable Salary***. If your ***Basic Annual Salary*** is less than the "***Cap***" (currently €65,136p.a.) then all of your ***Member Contributions*** go into the ***DB Scheme***. If your ***Basic Annual Salary*** is more than the "***Cap***", then 5% of your ***Pensionable Salary*** up to the "***Cap***" is paid into the ***DB Scheme*** and 5% of your ***Basic Annual Salary*** in excess of the "***Cap***" is paid into to the ***DC Scheme***.

Member Contributions currently entitle you to Income Tax relief. That means the net cost to a basic rate taxpayer is only 80 cent per Euro or only 59 cent per Euro for a higher rate tax payer. Relief is granted automatically via the payroll system.

Example 3.1.1

Dave's ***Basic Annual Salary*** is €37,963 p.a.

- Dave's ***Member Contributions*** under the ***Hybrid arrangements*** are
  5% of € (37,963 – 17,963) = €1,000, which is paid into the ***DB Scheme***

If Dave wanted to make ***Additional Voluntary Contributions,*** they would be paid into the ***DC Scheme***.

Example 3.1.2

Ciarán joins ***the Group*** in 2011 on a ***Basic Annual Salary*** of €117,963 p.a. His ***Member Contributions*** are 5% of € (117,963 – 17,963) i.e. €5,000 p.a. This is split into

o	the ***DB Scheme*** = 5% of € (65,136 – 17,963)	=	€2,358.65
o	the ***DC Scheme*** = 5% of € (117,963 – 65,136)	=	€2,641.35
o	Total	=	€5,000.00

3.2 Employer Contributions

DB Element

Your employer currently pays the balance of the cost of the ***DB Scheme*** including the cost of providing cover in the event of a member's death in service and also the administrative and investment expenses of the ***DB Scheme***.

DC Element

Under the ***Hybrid arrangements***, your employer contributes 10% of your ***Basic Annual Salary*** above the "***Cap***", and currently pays the cost of death in service cover along with the investment and administrative expenses of the ***DC Scheme.***

3.3 Additional Voluntary Contributions (AVCs)

These are contributions you can volunteer to make in excess of your required contributions as a member of the ***Hybrid arrangements***. For tax relief purposes, there are ***Revenue*** limits which apply to how much any individual can make by way of pension contributions (including ***AVCs).*** They are based on total earnings rather than just ***Basic Annual Salary*** and they depend on your age attained in the tax year in question as follows:

Age	**Maximum % of Earnings**
Up to 30	15
30 – 39	20
40 – 49	25
50 – 54	30
55 – 59	35
60 and over	40

For tax-relief purposes, the maximum member pension contribution (including ***AVCs***) is determined with reference to an "Earnings Cap". For the 2011 tax year, the Earnings Cap is €115,000.

If you are interested in making ***AVCs***, please contact Aon Hewitt, our scheme administration partners***,*** for further information.

Example 3.3.1

Ciara would like to invest the maximum she can in an ***AVC***. Her ***Basic Annual Salary*** is €37,963 p.a. and other earnings amount to €2,037 for 2011. She is aged 28.

- Maximum pension contributions = 15% of € (37,963 + 2,037) = €6,000
  less ***Member Contributions*** of 5% of € (37,963 – 17,963) = €1,000

This means Ciara can potentially invest up to a further €5,000 as ***AVCs*** in the ***DC Scheme,*** subject to a further check performed by ***Aon Hewitt***.

As Ciara is a basic rate taxpayer, the net cost of these additional contributions is 80% of €5,000 = €4,000

Example 3.3.2

Simon would like to invest the maximum he can in an ***AVC***. His ***Basic Annual Salary*** is €80,000 p.a. and other earnings amount to €5,000 for 2011. He is aged 56.

- Maximum pension contributions = 35% of € (80,000 + 5,000) = €29,750.00
  Less ***Member Contributions*** of 5% of €80,000 – 17963) = €3,101.85

This means Simon can potentially invest up to a further €26,648.15 as AVCs in the ***DC Scheme***, subject to a further check performed by ***Aon Hewitt***.

As Simon is a higher rate taxpayer, the net cost of these additional contributions is 59% of €29,648.15 = €15,722.41

3.4 Employees on reduced hours

The general rule here is that everything is proportionate to a corresponding full-time employee's situation.

As benefits are based on a part-time employee's ***Pensionable Salary***, contributions follow the same pattern. This has the effect of proportioning the ***Deductive*** to provide equity with full-time employees.

Example 3.4.1

Nicola works three days a week. Her ***Basic Annual Salary*** is €18,000 p.a. and she is a member of the ***Hybrid arrangements***.

- Nicola's full-time equivalent salary = 5/3 x €18,000 = €30,000 p.a.
- Her ***Member Contributions*** are 5% of € (30,000 – 17,963) x 3/5 = €361.11 p.a.

Example 3.4.2

In 2013 Michael reduced his working week to 50% of normal, having worked for five years on a full-time basis. He retires three years later on a full-time equivalent ***Final Pensionable Salary*** of €47,963 (in 2011 terms).

- His pension from the ***DB Scheme*** is $\frac{5 + (3 \times 0.5)}{60} \times €\,(47{,}963 - 17{,}963)$

  = €3,250 p.a.

3.5 Employees on sanctioned leave of absence

There are many types of official leave, e.g. sick leave, maternity leave etc. The principle here is that, under the ***Hybrid arrangements***, if you are entitled to accrue pension benefits while you are absent, you have to make ***Member Contributions*** to support those benefits.

For most short term absences, this will involve collection of any missed ***Member Contributions*** on return to work. Longer term absences (such as career break) normally do not qualify for pension benefits and so ***Member Contributions*** are not required. Any contributions voluntarily made on return to work in respect of a period of absence not earning pension rights would be treated as ***AVCs***.

3.6 Employees on Income Protection

Income Protection cover extends to members of the ***Hybrid arrangements*** without charge. Under ***the Group's Income Protection*** policy, if your claim is approved by the ***Insurance Company***, your ***Member Contributions*** to the ***Hybrid arrangements*** are paid for you by the policy, in addition to the usual contributions by your employer.

Your retirement and death benefits are based on the ***Basic Annual Salary*** which you would be paid on your return to work.

4. Investments

4.1 AIB Group Irish Pension Scheme (the DB Scheme)

This is a ***Defined Benefit*** scheme for the purposes of the Pensions Act 1990 and, as such, the ***Trustee*** sets investment policy with advice from the Scheme Actuary and the ***Trustee's*** investment adviser. Details of the investment philosophy are shown in the ***Trustee's*** Annual Report, copies of which are available from ***Staff Pensions***.

4.2 AIB Group Defined Contribution Scheme (the DC Scheme)

This is a ***Defined Contribution*** scheme for the purposes of the Pensions Act 1990. Under the rules of the Scheme a member can choose to invest in one or more funds from a series of ***investment funds*** which have been selected by the ***Trustee***.

You can choose the ***investment fund*** or funds you wish to receive not only your own ***Member Contributions*** or ***Additional Voluntary Contributions*** but also the contributions made on your behalf by your employer.

Details of the ***investment funds*** available are updated on a quarterly basis and are located in the ***Staff Pensions*** section of ***the Group's*** Intranet site or can be obtained from ***Staff Pensions***.

The ***Trustee*** regularly reviews the performance and range of the ***investment funds*** available to members with the ***Trustee's*** investment adviser and members are advised of any material changes.

5. Contact Information

5.1 *Who do I contact if I need more information?*

For administrative queries or individual entitlements please contact:

AIB Irish Pension Schemes,
Aon Hewitt Limited,
131 St Vincent Street,
Glasgow, G2 5JF.

Telephone: Within Ireland: 1800-806-133

Outside Ireland: 0044 141 222 7100

E-mail: aibroipensions@aonhewitt.com

For other information, please contact:

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: Under HR link, Pensions

5.2 *What do I do if I have a complaint?*

The Trustee has established an Internal Dispute Resolution procedure. If you have a complaint, please contact ***Staff Pensions*** in the first instance who will try to resolve your complaint, but if that is not done to your satisfaction, they will assist you in using the formal Internal Dispute Resolution procedure.

5.3 *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

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 Protection
Social Welfare Services Office
College Road, Sligo

Tel No: 1890 500 000

E-mail: info@welfare.ie

Website: www.welfare.ie

FOR STATE PENSION CONTRIBUTION RECORDS

Department of Social Protection
Central Records Section
Gandon House
Amiens Street

Dublin 2
Tel: (01) 7043000