

PRSA AVCs for Public Service Employees



PRSA AVCs are Additional Voluntary Contributions made through a Personal Retirement Savings Account. This is a convenient method of funding for additional retirement benefits, and the majority of public service employees have the scope to make PRSA AVCs.

Why PRSA AVCs?

More control over how you use your AVC fund in retirement

PRSA AVCs are owned by you – they are not arranged under trust and can be carried from employment to employment.

PRSA AVCs give you greater freedom at retirement. On retirement, your PRSA AVC fund (after tax-free cash) can be invested in an Approved Retirement Fund (ARF). This enables you to keep control of your fund at retirement and gives you the freedom to draw down money as and when it is required.* On your death the monies within your ARF investment can be passed on to your dependants (subject to inheritance tax and/or income tax).

In the past, the only option for the use of funds from an AVC (after tax-free cash) was the purchase of an annuity.

* Subject to certain legislative criteria. A tax on 'imputed distributions' from ARFs now applies. This amounts to Income Tax on a deemed withdrawal of 3% of the fund each December 31st (Income Levy, Health Contribution and PRSI also apply).

A very tax efficient means of saving money

- Monthly Tax and PRSI / Health Contribution Savings

	Tax @ 41%* + Class D PRSI / Health Contribution @ 4.9%**		Tax @ 41%* + Class A PRSI / Health Contribution @ 8%**	
PRSA AVC Contribution per month	Net Contribution per month	Tax Saving per month	Net Contribution per month	Tax Saving per month
€200	€108.20	€91.80	€102	€98
€400	€216.40	€183.60	€204	€196

* For individuals on a lower income, tax relief may be at a rate of 20%.

** For individuals earning more than €75,036 per annum, PRSI / Health Contribution relief is available at a rate of 5%.

- Tax Relief Limits on Contributions

Age At Your Birthday This Year	% of Net Relevant Earnings [†]
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 and over	40%

[†] Net Relevant Earnings, e.g. gross salary plus overtime, are subject to a ceiling of €150,000 for the purpose of calculating tax relief. This limit includes any contributions you are making to your employer's pension scheme and any current AVCs.

Note: The maximum allowable pension fund on retirement for tax purposes is currently €5.418m. Any excess in the pension fund over this limit will be subject to a once-off tax charge on retirement (currently 41%). Subsequent draw-downs will also be subject to tax at your then marginal rate and the Health Contribution (where applicable) and income levies.

Investment choice

PRSA AVCs give you a wide choice of fund options to invest in. Through the specially selected range of Eagle Star PRSA funds, you have access to a cash based fund as well as funds with a higher equity content.

Scope to make PRSA AVCs and maximise your retirement benefits

You can make PRSA AVCs if the benefits that you will receive at retirement from your superannuation scheme and any benefits retained from previous employments, are projected to be lower than the maximum allowed by Revenue. The following are examples of where there will be scope for providing additional benefits:

- **Missing Years**

If you do not expect to have full service, you could use PRSA AVCs to make up part or all of the difference between the maximum allowable tax-free lump sum and the tax-free lump sum based on shorter service.

Likewise, you could use PRSA AVCs to bring your pension up to the maximum allowed by Revenue.

(Note: If your sole reason for making AVCs is to increase your tax-free lump sum and pension income you should seriously consider the 'Purchasing Notional Service' (PNS) option, if this is offered by your superannuation scheme).

- **Non-pensionable Earnings**

If you have non-pensionable earnings (e.g. overtime) you could use PRSA AVCs to fund for a pension based on your total earnings.

- **Social Welfare Integration**

Class A PRSI contributors have their pension benefit reduced to take account of their eligibility to receive the contributory retirement pension (single rate). The shortfall between the resultant pension and the maximum allowable pension under Revenue rules can be made up by PRSA AVCs.

- **Spouse's Pension (Death in Retirement)**

The amount of spouse's pension that can be provided is 100% of the **maximum** member's pension. Your superannuation scheme provides a spouse's pension of 50% of your pension.

- **Additional Member's Pension**

The Revenue maximum pension is 2/3rds of remuneration reduced by the pension equivalent of the lump sum. This maximum pension after lump sum could be as high as 60% of remuneration which leaves significant scope for PRSA AVCs in the public service, where the maximum pension is 50% of pensionable pay.

PRSA AVCs, taken out for any of the reasons highlighted above, can be used to offset the effect of these reductions.

The maximum amount of tax-free lump sums has been limited to €1.35m, where existing lower limits do not apply. While lump sums in excess of this amount may still be paid, they will be liable to an upfront tax charge under Case IV of Schedule D at the rate of 41%. No reliefs, allowances, deductions or marginal relief are available to reduce the liability.

Warning: The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates.

**For more information please contact:
your Broker or Financial Advisor**

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The information contained herein is based on Zurich Life's understanding of current practice as at May 2010 and may change in the future.

