THE ITC BUY OUT BOND

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The ITC Buy Out Bond

If you were the member of an occupational pension scheme, leaving or have left employment, or your pension scheme is being wound up, it is time to consider your options for the pension fund that has been built up. A Buy-Out Bond (also referred to as a Personal Retirement Bond) is an option if you want to transfer the pension fund to a personally owned pension plan, to access at retirement.

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What is a Buy Out Bond?

A Buy Out Bond (also known as a Personal Retirement Bond) is an individual pension bond established in your name. You can transfer your pension benefits into the bond if you leave a company pension scheme or if your company pension scheme is shut down.

It is formally established by the trustees of your existing pension scheme. Its aim is to put you in control of your pension benefits. The value of your pension benefits at the date you leave your current pension scheme will be transferred into the Buy Out Bond.

The transfer is only subject to Final Maximum Funding Calculations which it is incumbent on the scheme trustees to perform.

What is the difference between a Buy Out Bond and a pension product?

A Buy Out Bond is specifically set up to accept benefits from a company pension scheme which you are no longer a member of or which relates to an employment which has ceased.

You are not permitted to make contributions to the Buy Out Bond but you can invest the funds as you could in a pension scheme and access it in the same way when your decide to retire.

What are the costs associated with the ITC Buy Out Bond?

The costs of managing your Buy Out Bond are set out in the fee schedule and these costs are payable out of the funds in the Buy Out Bond. The on-going costs of the ITC Buy Out Bond are fully transparent and depend on your investment strategy.

When you control the direction of your investments, you also have the power to manage the costs associated with those investments.

Who can set up a Buy Out Bond?

Any employee or former employee can set up a Buy Out Bond in circumstances where:

- You are leaving or have left employment
- You are leaving a pension scheme
- Your company pension scheme is being wound up

What are the benefits of the ITC Buy Out Bond?

The ITC Buy Out Bond enables you to take control of your existing employment related pension benefits and invest them in order to make them work for you. It is not unusual for people to change

employment many times during their career and a Buy Out Bond provides a vehicle for you to manage your previous pension benefits and invest them in a way that suits your needs.

The ITC Buy Out Bond is designed to offer flexibility, transparency, security and control.

What happens when I retire?

Under the terms of the ITC Buy Out Bond, your pension benefits are available as a lump sum of 25% of the Net Asset Value of your Buy Out Bond with the balance transferred to an Approved Retirement Fund (ARF). The funds in the ARF are available for the purpose of providing you with an income throughout retirement.

Pension benefits and any associated lump sums transferred to the Bond under the Recognised Overseas Pension Scheme regime (QROPS) operated by HM Revenue & Customs, are in no circumstances payable earlier than age 55, save in certain cases of ill-health.

Save for benefits transferred under the QROPS regime, it may be possible to avail of other retirement regimes than the ARF option. Such choice will however involve the assistance of a legal or benefits consultant.

What happens if I die before drawing down my pension?

If you die before taking your benefits, the value of your Buy Out Bond will be transferred to your estate. Under current rules this may be done tax free but could be subject to inheritance tax in the hands of the recipient.

How do you go about investing in the ITC Buy Out Bond?

Step 1 Contact your Financial Advisor / call ITC on (01) 661 1022

Step 2 Your advisor will gather the required information which will allow Independent Trustee Company to establish the Buy Out Bond.

Step 3 The documents are signed by you and the trustee(s) of the existing pension scheme and returned to ITC.

Step 4 ITC establish the Buy Out Bond in your name.

Step 5 The trustees can transfer the transfer payment to the operating bank account.

Step 6 Now you can begin investing!

Client Portal

You can access the Client Portal via the ITC website, which will provide the following:

- a summary of scheme assets
- a document repository for key documents such as client annual scheme reports

If you have any queries on the client portal or would like to register please contact **justask@independent-trustee.com** or call **01 6035110**.

WARNING: If you propose to take out this Bond in complete or partial replacement of any existing policy, please take special care to satisfy yourself that this Bond meets your needs. In particular, please make sure that you are aware of the financial consequences of replacing your existing plan. If you are in doubt about this, please contact your current provider or financial advisor.

WARNING: Please note that the provision of this product or service does not require licensing, authorisation, or registration with the Central Bank of Ireland and, as a result, it is not covered by the Central Bank's requirements designed to protect consumers or by a statutory compensation scheme.

WARNING: This document is based on our understanding of current Revenue Law and Practice which is subject to change without notice.

General Conditions

Your Buy Out Bond consists of these General Conditions, the Buy Out Bond Certificate and any amendments or supplements to those documents which are issued at a later date.

The Buy Out Bond Certificate is evidence of a contract of investment between Independent Trustee Company Limited (**'ITC'**) and you based on the Application you made to us.

This Bond is a contract approved by the Revenue Commissioners under Part 30 Chapter 1 Taxes Consolidation Act, 1997 and no alteration to the terms of this policy can be permitted unless prior approval has been received from the Revenue Commissioners.

No benefit payable by this Bond shall be capable of being surrendered, commuted or assigned except as permitted under Part 30 Chapter 1 Taxes Consolidation Act, 1997. The amount of any benefits payable shall not exceed the maximum permitted by the Revenue Commissioners.

Please keep these conditions and all schedules in a safe place as payment of your benefits may be delayed if they are lost.

Your Bond's assets will be held in an exempt unit trust – the Custody Trust. ITC will be the trustee of the Custody Trust. However, ITC will invest your Bond's assets in accordance with your instructions as provided for in the ITC Terms of Business.

Contents

Definitions

In this document, the following words or expressions shall have the meanings respectively ascribed to them

Except where inconsistent with the context, words importing the masculine shall include the feminine and words importing the singular shall include the plural and vice versa.

"Agreement" means these General Conditions, the Buy Out Bond Certificate and any amendments or supplements to those documents which are issued at a later date.

"Annual Management Charge(s)" mean amounts that ITC deducts at regular intervals from the value of the Investments for the period of a year or part of a year. Further details are provided in Section 2 - Charges.

"Annuity Company" means a life insurance company which is authorised to issue policies of assurance relating to the payment of annuities in relation to retirement benefits.

"Application" means an application for investment in a Bond.

"Application Date" means the application date shown on the Buy Out Bond Certificate in respect of the Transfer Payment.

"Application Form" means ITC's standard application form relating to the Bond, which is completed by a prospective Bondholder.

"Beneficiary" means:

(a) the Bondholder, or

(b) the spouse or civil partner of the Bondholder, save where the Bondholder has separated from his or her spouse or civil partner either by agreement or judicial separation and ITC is notified of such separation, or

(c) the child of the Bondholder, or

(d) a Dependant of the Bondholder where the Bondholder has notified ITC in writing that they are dependants and such notification has not been altered, withdrawn or superseded by any subsequent or further notification in writing.

"Bond" means the Buy Out Bond which is the subject of this Agreement.

"Bondholder" means the person who is stated on the Buy Out Bond Certificate as being the owner of the Bond.

"Dependant" means the Bondholder's spouse, civil partner, child or other person where such other person is wholly or substantially dependent on the Bondholder for the ordinary necessaries of life.

"Employer" means the Employer specified on the Application Form and in respect of withdrawal from whose service, or other circumstances, a Transfer Payment has been applied to the Bond on behalf of the Bondholder.

"Final Remuneration" means the Bondholder's final remuneration at the date of withdrawal from the service of the Employer as specified in the Application Form appropriately averaged in the case of a 20% Director and calculated in such a manner as is in accordance with the practice of the Revenue Commissioners, increased in proportion to the increase in the cost of living as measured by the Consumer Price Index from the date of withdrawal from the service of the Employer up to the Normal Retirement Date hereof or the date of death of the Bondholder if earlier. Where the Bondholder is a 20% Director, his remuneration will be increased as detailed above only in the case of death or where at least two thirds of the benefits to which he is entitled from all schemes of the Employer and all annuity policies derived from the same pensionable employment are taken in a non commutable annuity form.

"Investments" means the assets held within the Bond.

"Normal Retirement Age" means the normal retirement age specified in the Purchasing Scheme Rules.

"Purchasing Scheme" means the retirement benefits scheme as specified on the Application Form where the trustees thereof have directly or indirectly paid a Transfer Payment on behalf of the Bondholder.

"Purchasing Scheme Rules" means the rules of the Purchasing Scheme at the date of withdrawal from the service of the Employer as specified on the Application Form.

"Purchasing Trustees" means the trustees of the Purchasing Scheme.

"Retained Dependent's Pension" means a pension to which the respective Dependant of the Bondholder is entitled on his death under other schemes of the Employer and all annuity policies derived from the same pensionable employment or under schemes of previous employers or by virtue of a Self-employed Contract and exceeding €330 per annum or such greater amount as the Revenue Commissioners shall permit.

"Retained Lump Sum Benefits" means lump sums to which the Bondholder is entitled under other schemes of the Employer and all annuity policies derived from the same pensionable employment or under schemes of previous employers and includes;

(i) lump sums received or receivable from any scheme including sums received or receivable in commutation of pension.

(ii) sums received or receivable in commutation of retirement annuities under a self-employed contract.

Provided that benefits at (i) and (ii) may be ignored if they do not exceed €1,270 in all or such greater amount as the Revenue Commissioners shall permit.

"Retained Pension Benefits" means benefits to which the Bondholder is entitled under other schemes of the Employer and all annuity policies derived from the same pensionable employment or under schemes of previous employers and includes:

(i) pensions, whether deferred or already in payment, including any part of a deferred pension which is commutable.

(ii) the annuity equivalent of lump sums received or receivable, including any already received in commutation of pension.

(iii) where so required by the Revenue Commissioners retirement annuities under a self-employed Contract.

Provided that benefits at (i), (ii) and (iii) may be ignored if their annuity equivalent does not exceed €330 per annum in all, or such greater amount as the Revenue Commissioners shall permit.

"Start Date" means the date specified on the initial Buy Out Bond Certificate.

"Transfer Payment" means any amount paid on the Application Date under the terms of this Agreement.

"20% Director" means an individual who, either alone or together with his spouse and minor children, is or was within three years before withdrawal from service of the Employer, the beneficial owner of a shareholding which, when added to any shares held by trustees of any settlement to which the Director or his spouse had transferred assets carry more than 20% of the voting rights in the Employer or in a company which controls the Employer.

Section 1 - Transfer Payments

This section describes the conditions in relation to Transfer Payments.

1. Where a Transfer Payment is being received from the Purchasing Trustees, it is the responsibility of the Purchasing Trustees to ensure that the Transfer Payment is received by ITC. It is the Purchasing Trustees' responsibility that the payment does not exceed Revenue's max funding rules based on salary and years of service. Where the Transfer Payment is the proceeds of another Revenue approved Buy Out Bond it is your responsibility to ensure that the Transfer Payment is received by ITC.
2. A receipt for any Transfer Payment will not be valid unless it is on ITC's printed form.
3. Your Transfer Payment is due on the Start Date. Unless this is received, ITC will have no liability in respect of this Agreement.

Section 2 - Charges

This section sets out the different types of charges made by ITC.

Annual Management Charge

1. ITC will charge an Annual Management Charge expressed as a percentage of the value of your Bond. The Annual Management Charge percentage is specified in the fee schedule and in the Buy Out Bond Certificate. ITC will deduct the Annual Management Charge either directly from the Bond's assets or from your Bond bank account or by a combination of these methods. ITC may increase the Annual Management Charge to allow for the effect of inflation on expenses, as measured by the Consumer Price index or some other suitable index of inflation. ITC will inform you in writing, allowing 2 months notice, before any change in the Annual Management Charge is made.
2. ITC will deduct the amount of any Government stamp duty and levies, if any, from your Bond's bank account.
3. Any difference between a Transfer Payment received and the funds invested in the Bond is a charge made by ITC.

Section 3 - Retirement Benefit

This section explains what is payable on retirement.

Benefit at Retirement

1. You may retire at any time after age 50 provided that:

   (i) rules imposed by the Revenue Commissioners at the time are complied with; and

   (ii) any such early retirement is permitted under the Purchasing Scheme Rules; and

(iii) benefits were not transferred under the Recognised Overseas Pensions Scheme (QROPS), operated by HM Revenue & Customs. The retirement age for such benefits is 55, along with certain other criteria.

2. The benefit is the value of your Investments. This benefit (less any lump sum benefit taken) can be multiplied by an annuity rate to produce a retirement annuity.

3. Bondholders have the same entitlement under this Bond as under the Purchasing Scheme.

Options available on Retirement

4. Provided rules imposed by the Revenue Commissioners at the time and the rules of the Purchasing Scheme are complied with, you may choose to provide benefits on retirement, in one or more of the following forms:

   (i) a tax-free lump sum retirement benefit;

   (ii) a taxable lump sum retirement benefit;

   (iii) an annuity provided by an Annuity Company;

   (iv) a contingent pension payable to your spouse or other dependants on your death;

   (v) an Approved Retirement Fund.

The choice of any of the retirement options listed under (i) to (iv) is subject to the services of a legal or benefits consultant.

Benefits transferred under the QROPS regime can only be drawn down into an ARF for the purpose of providing an income throughout your retirement.

Open Market Option

5. At the date of retirement, you may elect to receive your annuity from an Annuity Company. In this instance, ITC will liquidate the Investments and make the proceeds available to the Annuity Company (less any lump sum benefit taken), to which will be applied an annuity rate calculated by the Annuity Company. ITC's liability under this Bond will cease at this date.

Section 4 - Transfer Benefit

This section explains the transfer benefit available.

1. Before a benefit becomes payable you can elect to encash your Investments and pay the proceeds as a transfer value to:

(i) the trustees of another retirement benefit scheme which is approved by the Revenue Commissioners if you are now a member of this other scheme;

or

(ii) A Buy Out Bond approved by the Revenue Commissioners

2. On payment of a transfer value, ITC is no longer responsible for ensuring that benefits in respect of this transfer value are paid in accordance with any Purchasing Trustees' requirements.

Section 5 - Death Benefit

This section explains the death benefit and related conditions.

Amount Payable on Death

1. ITC will pay a death benefit on proof of your death subject to Section 6 – Revenue Limits.
2. The death benefit is equal to the encashment value of your Investments on death.
3. The amount of death benefit which may be paid in lump sum form is limited under rules imposed by the Revenue Commissioners. Subject to those rules, the entire benefit will be paid as a preserved benefit to the Personal Representatives of your estate. No tax will be deducted but tax may be due in the hands of the ultimate beneficiary.

Section 6 - Revenue Limits

The actual benefits payable from this Bond to or in respect of the Bondholder shall be limited to such aggregate amounts as will not exceed the maximum benefits set out hereunder calculated separately by reference to each distinct employment in respect of which a Transfer Payment has been paid to this Bond.

(a) The amount of the Bondholder's annuity payable by an Annuity Company may not exceed the greater of;

(i) when aggregated with all annuities and the annuity equivalent of all non pension benefits received or receivable under all other retirement annuity policies derived from the same pensionable employment, one sixtieth of the Bondholder's Final Remuneration for each year of service with the Employer subject to a maximum of forty years and,

(ii) after taking into account all Retained Pension Benefits such proportion of the amount which would be applicable under the following table as the number of years of service actually completed with the Employer bears to the number of years between the date of entry into service with the Employer and Normal Retirement Date (not exceeding forty years).

Years of service to normal retirement age	Expressed as a fraction of maximum approvable pension for a full career	Expressed as a fraction of Final Remuneration
1	1/10th	4/60ths
2	2/10ths	8/60ths
3	3/10ths	12/60ths
4	4/10ths	16/60ths
5	5/10ths	20/60ths
6	6/10ths	24/60ths
7	7/10ths	28/60ths
8	8/10ths	32/10ths
9	9/10ths	36/10ths
10 or more		40/60ths

(b) the amount of the Bondholder's annuity which may be taken in lump sum form must bear the same ratio to the annuity as at the date of withdrawal from service but may not exceed the greater of;

(i) when aggregated with all other lump sum benefits received or receivable from all other retirement benefit schemes of the Employer and all other annuity policies derived from the same pensionable employment, three-eightieths of the Bondholder's Final Remuneration for each year of service with the Employer subject to the maximum of forty years; and

(ii) after taking into account all Retained Lump Sum Benefits such proportion of the amount which would be applicable under the following table as the number of years of service completed with the Employer bears to the number of years between the date of entry into service with the Employer and Normal Retirement Date (not exceeding forty years).

Years of Actual Service	Fraction of Final Remuneration
1 – 8 years	3/80 ths for each year
9	30/80 ths
10	36/80 ths
11	42/80 ths
12	48/80 ths
13	54/80 ths
14	63/80 ths
15	72/80 ths
16	81/80 ths
17	90/80 ths
18	99/80 ths
19	108/80 ths
20	120/80 ths

Provided always that the lump sum benefit is not restricted where the annuity equivalent of all benefits received or receivable under all retirement benefit schemes of the Employer and all other annuity policies derived from the same pensionable employment is less than €330 per annum (or such higher limit as may be prescribed by the Revenue Commissioners from time to time) or where ITC is satisfied that the Bondholder is in exceptional circumstances of ill health.

(c) The amount of any one Dependant's annuity (including any Retained Dependant's Benefits) shall not exceed two-thirds of the maximum pension which could be provided for the Bondholder under this Agreement (exclusive of Retained Pension Benefits) and the aggregate amount of all Dependant's annuities (including aggregate Retained Dependant's Pensions) shall not exceed the maximum pension which could be provided for the Bondholder under this Bond (exclusive of Retained Pension Benefits).

The rate of increase in excess of 3% p.a. compound applied to any annuity in the course of payment shall be restricted so as not to cause the annuity at any time to exceed the maximum annuity payable under this Clause increased by the corresponding aggregate increase in the Consumer Price Index since the commencement of payment of the annuity.

Section 7 - Forfeiture

(a) The assignment or charging by you or another Beneficiary of any benefit under the Bond is prohibited.

(b) If you or another Beneficiary attempt to assign or charge any present or future benefit or if any other act occurs or event happens whereby the benefits would be payable to or charged in favour of another individual, firm or company, the Beneficiary shall forfeit all rights to such benefit.

(c) In the event of any benefits being forfeited, ITC shall hold the forfeited benefit on trust for the purpose of the Bond but with power to pay the benefit at their sole and absolute discretion to any of the remaining Beneficiaries.

Section 8 - General Conditions

This section sets out the general terms relating to your Bond. These should be read very carefully.

You must provide us with any information or evidence which we need to administer this Bond.

In order to pay benefits under this Bond, we may need any one or more of the following:

(i) the Buy Out Bond Certificate;

(ii) where a benefit is payable on your death, the death certificate;

(iii) proof that the person making a claim is entitled to do so;

(iv) your birth certificate;

(v) any other documents relevant to this Bond;

(vi) any other information that is appropriate to ensure that the benefit is paid in accordance with this Bond.

We have relied on information given by you to us to set up this Agreement. If you did not disclose a material fact, we may not pay a claim or we may stop this investment or charge an increased fee. A material fact is one which is likely to influence our decision to accept an Application.

Any change in your circumstances between completing the Application and the Start Date must also be disclosed.

We can alter this Bond (or issue another in its place) if:

(a) The Revenue Commissioners remove approval of the contract;

(b) It becomes impossible or impractical to carry out any of the investment terms because of a change in the law or any other circumstance;

(c) The tax treatment changes or this Bond is altered by legislation;

(d) It becomes impossible or impractical to administer this Bond.

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Your future. Our focus.

BO 100.0.2
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