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Irish Life

IRISH LIFE CAPITAL PROTECTION FUND UPDATE

JULY 2017

INFORMATION FOR FINANCIAL ADVISERS

In August 2017 we are making changes to the availability of Irish Life's Capital Protection Fund.

CURRENT POSITION

The Capital Protection Fund is currently closed to new Single Premium investments. Existing customers cannot switch their existing investments into the Capital Protection Fund or invest a new Single Premium in the fund.

These restrictions apply to existing funds invested with Irish Life and to new funds invested in the future.

An existing investor can of course switch fully out of the Capital Protection Fund if they wish. Any switch will be subject to a Market Value Adjustment (MVA* - see explanation overleaf) if applicable. Currently (June 2017) there is no MVA applying. Once a scheme member or Personal Retirement Bond Holder has switched out of the fund, they cannot switch back into it.

WHAT'S CHANGING?

We are now extending the restrictions to include new Regular Premium investments.

With effect from 7 August 2017 Irish Life Corporate Business will no longer accept new Regular or Single Premium investments into the Capital Protection Fund.

AUGUST 2017 7

WHY MAKE THIS CHANGE?

This fund is a 'smoothed' fund, which offers members some protection against the volatility of investment markets. Given the cost of this protection has increased over recent years as interest rates have fallen, we have decided to limit access to this fund to existing members, and to not offer the fund to new members.

WHAT DOES THAT MEAN FOR CUSTOMERS WHO ARE CURRENTLY INVESTING INTO THE FUND?

Existing customers who are invested in the Capital Protection Fund will remain invested in the fund. Where a customer is currently paying all or a portion of their regular contributions into the Capital Protection Fund, they can continue to do so. In addition, an existing customer who is currently in a Lifestyle Strategy that uses the fund can remain in the strategy. There is no change here.

CAN AN EXISTING INVESTOR INCREASE THEIR REGULAR CONTRIBUTIONS?

It will be possible for an existing customer to increase their regular contribution into the Capital Protection Fund, if the percentage of the total salary contribution allocated to the fund does not increase.

The customer can re-direct all of their contribution (including the top-up) into other funds available on their plan. They cannot however switch back into the Capital Protection Fund at a future date. It is important to consider this in terms of advice.

HOW DO THE CHANGES IMPACT MEMBERS IN LIFESTYLE STRATEGIES?

Irish Life Corporate Business has Lifestyle Strategies that use the Capital Protection Fund. The changes proposed will not impact existing pension scheme members or Retirement Bond Holders who have already selected one of those Lifestyle Strategies. Where the Capital Protection Fund is part of a Lifestyle Strategy, associated automated switches will continue to take place in the future.

- A pension scheme member or Retirement Bond Holder who is currently in a strategy that uses the fund can remain in the strategy, even if they are not yet in the Capital Protection Fund switching phase.
- A pension scheme member or a Retirement Bond Holder not currently in the strategy cannot choose the strategy.
- The strategy will not be available to new members joining pension schemes.

Irish Life's EMPOWER Personal Lifestyle Strategy (EMPOWER PLS) will become the default Lifestyle Strategy option on schemes where the existing default strategy will be discontinued. EMPOWER PLS will be made available for new pension schemes and to new members joining an existing group pension scheme.

No action is required from you or the trustees. Irish Life will make these changes automatically. If, however, you wish to select an alternative default lifestyle strategy please contact your Corporate Business Account Manager.

*A Market Value Adjustment (MVA) is a negative adjustment that life companies reserve the right to apply to certain withdrawals or switches from certain funds, and it is normally applied when extreme investment conditions have adversely affected investment performance. This adjustment is necessary in order to protect the interests of those long-term investors who remain in the fund.

Where clients switch their assets out of the Capital Protection Fund Irish Life may apply a MVA, thereby reducing the amount available. This reduction does not apply to transfers to other arrangements which occur within nine months of leaving employment or on retirement or death.

The MVA effectively reduces the amount available to transfer. The following sets out where a MVA will apply on the exit from the funds.

- Where an individual member elects to switch money out of the Capital Protection Fund to another fund.
- Where an individual member transfers out of the Capital Protection Fund without having left the service of the employer.
- Where an active scheme transfers or switches money out of the Capital Protection Fund to another fund or to an external body.

Also under the existing exit rules, the MVA will apply where an individual member transfers out of the Capital Protection Fund more than 9 months after having left the service of the employer (but not on death or retirement). The MVA will not apply on early, normal or late retirement or in the case of death.

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