

Your guide to AVCs

What are AVCs?

AVC stands for 'Additional Voluntary Contributions'. They are contributions you can choose to pay over and above your normal Plan contributions to provide extra benefits when you retire. Plan AVCs are deducted from your salary, and qualify for tax relief, in the same way as your normal Plan contributions.

Your Plan AVCs operate on the basis of a money purchase policy, meaning you build up a cash fund. This is used to secure additional benefits on retirement.

Where are my voluntary contributions invested?

The Plan's AVCs are invested with an investment firm or 'provider' chosen by the Plan Trustee, although you do have choices of the types of fund you invest in through that provider. The Trustee reviews the performance of the AVC provider from time to time in order to protect member's best interests.

AVCs are presently invested with Friends Life, and have been for a number of years. Friends Life offer a range of fund choices in which to invest AVCs. The Friends Life booklet has more information on the selection of funds available.

Please be aware that neither the Plan nor Friends Life can offer financial advice on which fund is most suitable to your own needs. An independent advisor can be found though www.unbiased.co.uk if you would like to receive advice on this matter.

How much should I pay?

It is entirely up to you and depends on your own personal circumstances. You need to consider what you hope to achieve by paying AVCs, and you

also need to decide how much you can afford to pay each month. The value of your fund can go up as well as down, and there is no guarantee that you will get out what you paid in.

You can make Plan contributions (including AVCs) of up to 100% of your taxable pay. After you have paid your normal Plan contributions of 5%, you can contribute as much of the remainder as you wish to your AVC fund. However your pension savings are subject to checks against the Annual Allowance and tax relief will essentially be lost if you exceed this limit. There is some more information on the Annual Allowance in the main Plan booklet.

Can I stop paying AVCs?

You have the flexibility to stop, restart and alter the amount you pay by obtaining a form from your Unit Pension Officer. You need to give notice of any change you want to make to a Plan AVC payment so that Payroll have enough time to make this change.

Can I withdraw money from my Plan AVC fund?

No. It must be used to provide extra benefits at retirement.

What are the options from my Plan AVCs?

When you request a quotation of your Plan pension (based on your service and salary), you will normally be offered the following options in respect of your AVC fund at the same time:

- If your AVC fund is less than £6667 then you will normally be offered the option to receive this as tax-free cash at the same time that you take your Plan benefits.



- If your AVC fund is more than £6667, you will normally be offered the option to receive 25% of your AVC fund as tax-free cash at the same time that you take your Plan benefits. The remainder of your fund will be used to secure the retirement benefits of your choosing with an external provider outside of the Plan. Most often this takes the form of an 'annuity' (a type of pension).

Taking all or part of your AVC fund as cash with your Plan benefits in this manner may be limiting as, from 6 April 2015, new flexibilities have been introduced in respect of money purchase saving. Further options may be available to you if you choose to transfer your AVCs to another money purchase arrangement, though not all options are available from all providers. Options include:

- Annuities – there are various types available. 25% of the fund may be paid as tax-free cash and the rest used to purchase the annuity which is subject to income tax. Enhanced annuities may be paid to those with reduced life expectancy.
- Lump Sum(s) – the fund can be taken as one or more lump sums. 25% of each lump sum may be paid as tax-free cash and the rest will be subject to income tax.
- Drawdown – 25% of the fund may be paid as tax-free cash and the remainder can be taken as needed, subject to income tax.

You do not have to take your AVC benefits at the same time as you draw your main Plan benefits. You can therefore leave them invested under the Plan after retiring and even continue to change your investment options and draw them when it suits you. You have the right to transfer your AVC benefits at any point prior to making a decision about how to use them.



Any benefits above the Lifetime Allowance will be subject to the appropriate tax charge, which will be deducted by the Plan and passed on to HMRC as provided in legislation. There is some more information on the Lifetime Allowance in the main Plan booklet.

Are there any alternatives to AVCs?

Yes – there are other options such as ISAs, personal pensions and other schemes. The Trustee is unable to give financial advice and strongly recommends that you speak to an independent financial adviser if you are in any doubt about what is best for you.

What happens to my AVC fund if I die before retirement?

The value of your AVC fund at date of death will be paid by the Trustee in line with the Rules of the Plan. Please refer to the main Plan booklet for more information.

Please ensure that your Expression of Wish is up to date so that the Trustee can take your wishes into account when considering the payment of any lump sum.



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