
Additional Voluntary Contributions (AVC's)

Improving your retirement benefits

As a member of the Local Government Pension Scheme (LGPS) you can pay Additional Voluntary Contributions (AVCs) to improve your retirement benefits. AVCs offer great flexibility as you can pay up to 100% of pensionable pay, allowing for the statutory deductions (LGPS contributions, NI contributions, etc.). You can increase, decrease, or even suspend and restart your payments. Contribution deductions will commence from the next available pay period after you have notified us. The AVCs deducted are shown on your pay slip and each year you receive a statement which sets out the current value of your investment.

**AVC's are deducted from your earnings before tax –
so you get full tax relief on your payments.**

How the AVC fund can be used at retirement

When your LGPS benefits are put into payment, you will have the following options to use your accumulated AVC fund.

- Your AVC benefits must be drawn at the same time as your main scheme benefits, unless you take flexible retirement when you can defer drawing AVC pot until you eventually fully retire.
- You can take up to 25 per cent of the AVC fund as an additional lump sum.

Further information

If you move to another employer and elect to aggregate your main Scheme benefits, your AVC investment must be transferred at the same time to your new employer's AVC provider, unless you have had continuous active membership of a public service pension scheme for 5 years, in which case you can elect to leave the AVC pot with the former Fund.

If you should die before retirement your AVC fund will be paid out as instructed by the administrator of your estate. There is also a separate AVC facility to increase death-in-service benefits without acquiring an investment fund.

You may prefer to pay additional regular contributions (APC's) to buy extra LGPS pension. You can enter into a contract to pay a fixed monthly amount over an agreed number of years to purchase an additional pension up to a maximum of £6,500 per annum.

Related Information

Prudential as the UK's No.1 AVC provider, have a dedicated team who can discuss the Fund range with you, help you apply, top-up or restart your contributions. Forecasts and investment information can be obtained from them by calling 0845 032 6674.

The LGPS has a dedicated AVC website that you may find helpful: <http://www.pru.co.uk/rz/localgov/>

Investing your AVCs

AVCs must be invested separately from the Isle of Wight Council Pension Fund. The council has carefully selected Prudential as their in-house AVC provider, so you may choose to invest your AVC's in one or more of the following Prudential funds:

The with profits fund	The discretionary fund
<p>This is a fund with the Prudential which grows annually by the addition of bonuses.</p> <p>A basic rate of interest is added to your account once a year. In addition an annual bonus is credited to reflect the investment income achieved over the past year. A final bonus is also stated each year which reflects how the investments are expected to perform in the following months and is therefore not guaranteed. The final bonus is added to your account when your investment is paid out.</p> <p>To protect all policyholders, Prudential reserves the right to adjust the amount of bonuses applied in respect of any new or increased AVCs made into the fund within five years of retirement.</p> <p>Investment in the fund should provide a relatively stable rate of return reflecting long-term trends in investment markets.</p>	<p>This 'unit-linked' fund managed by the Prudential offers you the opportunity to participate more directly in the movement of the value of the underlying assets. Your AVCs purchase units in a fund which is invested in a wide-ranging portfolio of investments.</p> <p>Your investment could grow with the overall increase in the value of the units purchased. It is, however, important to remember that investment results will fluctuate with the performance of financial markets, so unit prices can go down as well as up.</p> <p>The minimum amount of AVCs which can be used to buy units in the discretionary fund is £20 per month or £5 per week.</p> <p>A percentage of each of your AVC payments will be used to buy units at the appropriate 'offer' price. The 'offer' price includes an initial charge of 5 per cent. The 'bid' price of units (i.e. the price at which units are released upon retirement) will be 5 per cent lower than the 'offer' price on that day.</p> <p>There is also a fund management charge of 0.75 per cent which is allowed for in the unit prices.</p>

It is possible to redirect or switch your AVCs between the two investment funds.

Further information

This leaflet has been prepared by the Isle of Wight Council Pensions Office. If you need further information, you should contact:

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