
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 0800 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:

Cash Fund (Minimal risk / Deposits – active)	With-Profits Fund (Lower to Medium risk / multi asset – active)	Discretionary Fund (Medium risk / multi asset – active)
<p>The investment strategy of the fund is to purchase units in the M&G PP Cash Fund. That fund invests in both secured (reverse repurchase agreements) and unsecured interest bearing deposits, as well as short-term UK Government bonds and Certificates of Deposit. It is actively managed against its benchmark, the London Interbank LIBID 7 Day Deposit rate.</p> <p>Performance Objective: To outperform the benchmark before charges on a rolling three year basis.</p>	<p>The fund offers the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements.</p> <p>Investment returns are passed to policyholders through bonuses. The fund is invested in a diversified portfolio of UK and overseas shares, bonds, property and cash. A significant proportion of the fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the fund is actively managed to optimise the returns while controlling risk.</p>	<p>The investment strategy of the fund is to purchase units in the M&G PP Discretionary Fund. That fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property and cash via other M&G PP funds. It is actively managed against an internal composite benchmark asset allocation set by the Prudential Portfolio Management Group. It is a “fund of funds” where both active stock selection, within the underlying sector funds, and asset allocation decisions are used to add value.</p> <p>Performance Objective: To outperform the internal composite benchmark by 1.15% - 1.40% a year (before charges) on a rolling three year basis.</p>

It is possible to redirect or switch your AVCs between the three 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:

Pensions Team, Shared Service Centre, Isle of Wight Council,
County Hall, High Street, Newport, Isle of Wight PO30 1UD

Email: pensions@iow.gov.uk Website: www.iwight.com/council/OtherServices/Pensions-IWC