

Local Government Pension Scheme (LGPS)

In-House AVCs - Frequently Asked Questions

What are AVCs?

Additional Voluntary Contributions (AVCs) are a tax efficient and flexible method to build up a separate pension pot of money. Presently you can take 100% of your AVC pot as a tax-free cash lump sum when the benefits are taken at the same time as the LGPS pension (as long as this isn't more than 25% of the total value of the LGPS pension benefits taken) or use the fund to purchase a pension from the LGPS or an annuity provider. We are required to provide an AVC through an outside provider and Cheshire Pension Fund has two nominated providers, Scottish Widows and Standard Life.

How does an AVC plan work?

You elect how much you wish to pay each month into your AVC and your contributions are deducted from your pay and forwarded to your AVC provider to be invested. When you retire you can elect to use your AVC to improve your benefits.

How much can I pay into an AVC?

AVC contributions are paid in addition to your main LGPS standard contribution rate. Currently you can elect to pay up to 100% of your pensionable pay in any month into your AVC. You can elect to pay a set percentage or a fixed monthly amount of your earnings. You however cannot back date contributions into your AVC.

Can I change my monthly contributions?

You can increase or decrease the amount you are paying into the AVC as well as stop paying or restart at any point. The maximum contribution is 100% of pensionable pay, less statutory National Insurance contributions and your main scheme contributions.

How are my contributions invested?

Scottish Widows and Standard Life offer a wide range of funds to invest in – details of which can be found on their respective websites. You can change your fund at any time without incurring a penalty, unless you have invested in Standard Life's 'With Profits' fund.

Do my contributions attract tax relief?

Yes, if you pay tax your contributions will attract tax relief making an AVC an efficient method of saving.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

What charges are made on my fund?

Both Scottish Widows and Standard Life make administration charges to run your AVC.

The base charges are set out on the fund choice documents held on the website, however since the AVC will be taken out through the Cheshire Pension Fund there is a discount of 0.25% on all charges for Scottish Widows AVCs and a discount of 0.375% on all charges for Standard Life AVCs.

Is there any help available to make a decision on which fund to invest in?

Cheshire Pension Fund are not able to provide any financial advice, however both Scottish Widows and Standard Life provide a tool on their websites which can assess your attitude to risk and provide a recommended investment fund based on this.

Any AVC investment is made at your own risk and Cheshire Pension Fund cannot make any recommendation on the suitability of investments and cannot be held liable for any investment decision made.

What benefits will I get from my AVC at retirement?

At retirement you can choose to use the value of your AVC fund to increase your retirement pension. You can do this by buying additional pension in the LGPS, by buying an annuity from either your AVC provider or from any other pension provider of your choice. If you buy an additional pension through the LGPS it will be inflation proofed and will provide additional dependant's benefits.

If you purchase an annuity from another pension provider you will need to make a decision at the time about what sort of inflation proofing or dependant's benefits you wish to provide.

You can also elect to take up to 100% of your AVC fund as a tax free cash lump sum when the benefits are taken at the same time as the LGPS pension (as long as this isn't more than 25% of the total value of the LGPS pension benefits taken).

What happens if I leave the Cheshire Pension Fund before I reach retirement age?

If you leave before retirement your AVC fund will accompany your main Scheme benefits. So if you transfer your main Scheme benefits to another pension scheme your AVC fund will transfer to that scheme's AVC fund.

If you leave your LGPS benefits deferred and draw them at a later date then you will still have the option to draw up to 100% of your fund as tax free cash and purchase an annuity from another pension provider. You will not, however, be able to buy additional LGPS pension.

What happens if I die before taking my benefits?

The value of your accumulated AVC Fund to the date of death is paid to your nominated beneficiary or your estate.

What is a Free Standing AVC (FSAVC)?

FSAVCs are policies offered by banks and other financial institutions on an individual basis. You must make your own arrangements with the provider of your choice. Your Independent Financial Advisor will be able to guide you.

How do I stop making AVC contributions?

You can stop deductions at any time. You must make your request in writing and forward it to the Pensions Section.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

I have an AVC elsewhere can I transfer this to an in-house AVC with Scottish Widows or Standard Life?

You must make an election to 'transfer in' your AVC benefits within 12 months of joining the Local Government Pension Scheme.

Current regulations permit the transfer of AVCs from other Local Authorities into an in-house AVC such as Scottish Widows and Standard Life. However, if your previous AVC was with a company or private pension scheme, it can only be transferred into the main scheme to purchase additional Local Government Pension Scheme pension in the first year of your scheme membership.

Can I transfer my AVC to a personal pension scheme to access my benefits flexibly?

Yes, you can transfer your AVC to a defined contribution scheme and access the benefits flexibly under 'Freedom and Choice' legislation. For more information please read our 'Freedom and Choice factsheet'.

Disclaimer

Every care has been taken in the production of this document however readers may wish, or will need to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility will be assumed by the Cheshire Pension Fund for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained herein. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This guide does not confer any contractual or statutory rights and is provided for information purposes only.

Contact Us

If you require any further information please contact us using the details below.



01244 976000



pensions@cheshirewestandchester.gov.uk



www.cheshirepensionfund.org



Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE