



THE UNIVERSITY *of* EDINBURGH

A Guide to Additional Voluntary Contributions

The University of Edinburgh Staff
Benefits Scheme

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As a member of the University of Edinburgh Staff Benefits Scheme (the “Scheme”) you will receive benefits from the Scheme when you retire. You will also build up entitlement to a State Pension, payable from the State Pension Age.

Your Scheme benefits may represent a significant proportion of your income when you retire. If you would like to save more for your retirement, you may want to consider paying Additional Voluntary Contributions (AVCs) through the Scheme.

This booklet explains the AVC option available to Scheme members and also highlights key considerations.



What are Additional Voluntary Contributions?

If you can afford to, you should think about saving more for your retirement. The more you pay into the Scheme, the more tax relief you could get from the Government and the more you could get back when you retire.

The main features of AVCs are:

- They are a tax-efficient way to boost your retirement benefits;
- They are flexible – you can save the amount you want at a time that suits you;
- They are deducted at source from your salary; and
- There are varying levels of investment risk depending on your personal preference.

An overview of your AVC option

If you want to boost your Scheme benefits you can save more by paying Additional Voluntary Contributions (AVCs). You will be purchasing benefits within a defined contribution arrangement (held separately from the Scheme, which is a defined benefit arrangement).

How much you will receive from your AVC account at retirement would depend on the:

- contributions made to your AVC account;
- investment returns achieved (less any charges applied); and
- type of income you choose to take (for example, whether you buy an annuity or take the whole of your pension savings as a lump sum, as allowed under pensions legislation at the time you retire).

How much can you contribute?

You can contribute up to 100% of your pensionable earnings (your salary minus overtime or bonus), less your ordinary contributions to the Scheme and other statutory deductions.

You can pay into your AVC account:

- As a single lump sum; or
- On a monthly basis.

How can you take your benefits in retirement?

You can take up to 25% of the total value of your Scheme benefits, including your AVC account, as a tax-free cash lump sum (providing this is less than 25% of the Lifetime Allowance). You can use your AVCs to take tax-free cash before exchanging any Scheme benefits for tax-free cash, in order to maximise the amount of pension you receive from the Scheme.

You can also take up to 25% of your AVC account as tax-free cash and use the balance to buy an annuity. Alternatively, you may be able to take all of your AVC account as a cash lump sum and 25% of this lump sum would be tax-free with the remainder taxed under the normal income tax rules.

Generally, anyone with defined contribution (like your AVC account) savings has flexibility over how they can be used from the age of 55 (the current minimum retirement age) subject to the rules of their pension scheme. To take advantage of these options you may need to transfer your Scheme benefits as well as your AVC account into another scheme.

For more information about the AVC arrangement's retirement options, please contact the pensions office at pensions@ed.ac.uk.

What are the investment options?

You will have access to a range of investment options, from which you select where the contributions to your AVC account will be invested.

The performance of the funds will directly affect the benefits payable to you when you retire. Be aware that the value of your AVC account may go down as well as up.

What if you leave the University before you retire?

You can leave your AVC fund with Standard Life until you retire. Your fund will continue to build up any interest and bonuses due until you retire.

You can also choose to transfer the value of your AVC fund with Standard Life to:

1. Your new employer's Pension Scheme; or
2. An alternative approved pension arrangement.

What happens when you die?

The value of your AVC account will be paid to your dependant or nominated beneficiary as a cash lump sum.

What if you retire earlier than expected?

If you had an AVC account you would receive immediate payment of the benefits built up. Alternatively you may opt to take your AVC account at a later date than your main Scheme benefits.



Tax Considerations

AVCs enjoy the following tax advantages:

- Your AVCs qualify for income tax relief;
- Your money is invested in funds which benefit from favourable tax treatment; and
- Your AVCs can be taken as part or all of the lump sum which you will normally be able to take when you start to draw your pension benefits. Under current legislation this lump sum is paid free of tax within HM Revenue & Customs allowances for those subject to UK tax.

The tax relief is dealt with automatically because your AVCs are deducted from your pay before income tax is calculated.

Please be aware that your AVCs are subject to the Annual Allowance and Lifetime Allowance set by HM Revenue & Customs (please refer to the Scheme guide for more information) and will qualify for tax relief at your highest rate of tax in the same way as your contributions to the Scheme.



Find out more

The Pensions Office will explain to you what you can pay and agree the AVC you want to start paying. Your contributions are deducted from your salary, in the same way as your contributions to the Scheme, and you decide how much you want to save.

If you would like further information regarding the Scheme and AVCs, please feel free to contact the Pensions Office at pensions@ed.ac.uk

Remember, making AVCs to your pension is a tax efficient and simple way of boosting your pension when you retire. However AVC contributions are just one way of providing extra retirement benefits. There are other forms of retirement saving open to you as an individual and you may wish to consider these before deciding to contribute to the Scheme AVC options. If you are in any doubt as to your decision you should consider taking appropriate Independent Financial Advice.

The Government has set up two free and impartial services that you may want to consider using:

The Money Advice Service:

This service offers general guidance on all aspects of pensions and retirement.

Web: www.moneyadvice.org.uk

Tel: 0800 138 7777

Pension Wise:

This service is available to people over the age of 50 and offers guidance to those with personal pensions on all of the options available to them in relation to their retirement savings. Pension Wise offers free consultations face-to-face, online or over the phone.

Web: www.pensionwise.gov.uk

Tel: 0800 138 3944

