



**The Greater Gwent
(Torfaen) Pension Fund**
administered by Torfaen County Borough Council



LOCAL GOVERNMENT
PENSION SCHEME

AVC APPLICATION FORM

Your Personal Details

Surname

Title

Forename(s)

Gender

N.I Number

Date of Birth

Email Address

Phone
Number

Home Address

Post
Code

Your
Employer

Investment Choice

AVC Provider	Fund Choice	Fund Code	Percentage Payable

(The total Percentage Payable MUST add up to 100%)

Your Contributions

Total Monthly (Weekly/4 weekly if paid)
Contributions (£)

£

Or

Total Monthly (Weekly/4 weekly if paid)
Percentage of earnings to be invested (%)

%

Date that you want to start your AVC's

Signed

Date

Paying *Additional Voluntary Contributions (AVC)* arranged through the LGPS (in-house AVCs)

The Greater Gwent (Torfaen) Pension Fund has an AVC arrangement in which you can invest money, deducted directly from your pay, through AVC providers Standard Life and Clerical Medical. If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available to you when you retire.

You can elect to pay an AVC if you are in either the main or 50/50 section of the LGPS.

You decide how much you can afford to pay. You can pay up to 100% of your pay into an in-house AVC in each job where you pay into the LGPS (restricted to 50% for AVC arrangements which commence prior to 1 April 2014).

AVCs are deducted from your pay, just like your normal contributions. Your LGPS and AVC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

Deductions start from the next available pay period after your election has been accepted and you may vary or cease payment at any time whilst you are paying into the LGPS.

Potential Tax Implications

The Government has set a limit on the amount by which an individual's pension benefits can increase each year without incurring a tax charge. This limit known as the Annual Allowance is currently set at £40,000 per annum.

For LGPS benefits it is the increase in the value of the notional "pension pot" between 6th April and 5th April each year which is measured against the Annual Allowance. For example the value of the "pension pot" for 2016/17 is calculated as

- A. Annual Pension @ 5 April 2017 multiplied by 16 plus the lump sum retirement grant
- Minus
- B) Annual Pension @ 6 April 2016 multiplied by 16 plus the lump sum retirement grant plus inflation

If A – B is more than £40,000 there is a potential tax liability

For a Money purchase arrangement such as an AVC it is the actual amount which is paid in each year added to the increase in the value of LGPS benefits which is measured against the Annual Allowance. If you are paying pension contributions into any other pension arrangements these also need to be included in the assessment.

Lifetime Allowance

The Government also limits the amount an individual can hold in pensions in their lifetime without incurring a tax charge. The current limit is £1million.

For LGPS benefits it is the value of the notional "pension pot" which is measured against the Lifetime Allowance. For example the value of the "pension pot" is calculated as

Annual Pension multiplied by 20 plus the lump sum retirement grant plus the value of any other pensions.

If the total value exceeds £1 million then there is a potential tax liability

There are the different ways you may be able to use your in-house AVC Fund on retirement:

- **Maximise your Tax Free Cash Lump Sum**

By combining the value of your AVC fund with the value of your LGPS Benefits you can maximise the amount of tax free cash you can take at retirement within HMRC limits.

- **Buy a Top-up LGPS Pension**

When you draw your LGPS benefits you can use your AVC fund or a proportion of it to buy an additional amount of pension in the LGPS. The additional pension will increase each year in line with inflation in the same way as your main LGPS pension. It will also automatically include additional dependant's benefits.

- **Buy a pension from the AVC provider**

You can use your AVC fund to buy a pension from Standard Life or Clerical Medical or you can transfer the value of the AVC to an alternative provider and buy a pension. The pension you could buy is known as an annuity.

An annuity is paid completely separately from your LGPS benefits.

The amount of annuity (pension) depends on several factors, such as the size of your AVC fund, interest rates at the time you retire and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

Annuities are subject to annuity rates which in turn are affected by the interest rates at the date the annuity is purchased. If interest rates are high the pension which can be bought will be higher than if interest rates are low.

You do not have to buy an annuity and an independent financial advisor will be able to provide you with details of all the option available in the market.

- **Take your AVCs as cash**

You can take up to 100% of your AVC fund as a tax-free cash lump sum providing it is no more than 25% of the total value of your pension pot and use the balance to provide you with an annual pension as above.

The contact details of the AVC providers are as follows: -

Clerical Medical:

A full fund range booklet: <http://reference.clericalmedical.co.uk/literature/doc/E995>

Fund factsheets: <http://www.clericalmedical.co.uk/Business/FundsPrices/FundFactsheets.asp?id=3>

Select Group pensions from the product type drop down menu or Telephone 0345 602 5866

Standard Life:

A full fund range booklet:

http://library.standardlife.com/gpen4.pdf?_ga=2.261178189.1189463978.1522759406-949621331.1495622772

Fund factsheets: <https://www.standardlife.co.uk/c1/funds/how-are-my-funds-doing.page>

Select Group Pensions from product type drop down menu and Group AVC from Product name drop down menu. Click the Get Funds button to show all the Standard Life funds or Telephone 0800 634 7479

The Greater Gwent (Torfaen) Pension Fund staff are not authorised to give financial advice we therefore recommend that you contact the respective AVC providers to obtain details of the investment options available to you. We would also recommend that you consult with an Independent Financial Advisor before making any decision regarding AVC's.

If you have any problems accessing the above website links please contact us so we can provide the information to you.