

Salary sacrifice Shared Cost AVC scheme

Introduction

Under the Local Government Pension Scheme (LGPS), employees may opt to make Additional Voluntary Contributions (AVCs). In accordance with the terms of the LGPS, an employer can also contribute to the employee's AVC arrangement. This is known as a Shared Cost Additional Voluntary Contribution (Shared Cost AVC) arrangement, and other than in exceptional circumstances (see FAQs) offers the same benefit options as a standard AVC arrangement.

Derbyshire County Council ('the Council') is pleased to provide two AVC facilities for LGPS members.

- A standard AVC that provides Income Tax relief.
- A Shared Cost AVC scheme that provides Income Tax relief and National Insurance contribution (NIC) savings.

The Shared Cost AVC scheme is provided by using a salary sacrifice arrangement and is fully supported by the Council on the basis that it will:

- Provide further flexible pension saving opportunities
- Result in an increase in take-home pay when compared to paying AVCs in the standard way
- Deliver employer NIC savings

AVC Wise, as experts in this field, will be responsible for managing and administering this benefit for the Council.

How to Join?

STEP 1 Go to [AVC Wise Register](#)

STEP 2 You will receive an email from AVC Wise titled 'Confirmation Instructions'. Click on the link in the email 'Confirm my account'.

STEP 3 Sign in to AVC Wise to enter your Employee Platform. Read the FAQs and Terms and Conditions and scroll down to the bottom of the page.

STEP 4 If you are a member of the LGPS but do not currently have an AVC plan with your employer, select 'NEW SHARED COST AVC SCHEME APPLICATION'. If you currently pay standard AVCs, select 'CONVERT TO SHARED COST AVCs'.

STEP 5 Complete the form with the information required and submit your application by clicking the 'Submit' button.

Your application will be processed, and you will be notified when this has been completed.

If you have any queries about the application process or the Shared Cost AVC scheme, please contact the AVC Wise Customer Service Team to discuss. Telephone: 01252 959779 Email: support@AVCWise.co.uk

Frequently Asked Questions ('FAQs')

The questions and answers set out below provide a basic guide to the Council's salary sacrifice Shared Cost AVC (Shared Cost AVC) scheme. The FAQs apply equally to those who are not currently paying AVCs, but may be interested in doing so, and those currently paying standard AVCs.

Please note that neither the Council nor the Derbyshire Pension Fund can provide advice on the suitability of AVCs for members and that other options for saving for retirement are available. For details of other options for saving for retirement within the Local Government Pension Scheme (LGPS), please refer to the [LGPS Member](#) website or seek independent financial advice from your preferred advisor.

If you choose to join the scheme, your Shared Cost AVC pot will be held and invested by the Council's AVC provider, Prudential.

1. What are Additional Voluntary Contributions (AVCs)?

AVCs provide an opportunity for employees who are members of the LGPS to pay additional contributions to increase their pension benefits at retirement.

AVCs are an efficient way to save for retirement because they attract full Income Tax relief through your payslip, provided your income is sufficient to pay tax, and you are also subject to certain overall limits set by HMRC. Please see Q11 for further information.

If you choose to pay AVCs, the additional contributions are invested separately in your choice of fund(s) which are managed by the AVC provider (Prudential). The funds should, hopefully, grow over time and will be available at retirement to convert into an additional pension of your choice or, subject to certain limits, a tax-free lump sum, or a combination of both. Any interest, income or capital gain earned on the AVCs is free from tax while the money is invested in your plan. Prudential offers a wide range of funds with differing investment risks and you will need to look at the investment fund factsheets for further information to decide how you want to invest. Please go to [Prudential Investment Choices](#) for further information.

Remember the value of your investment can go down as well as up and may be worth less than what was paid in.

2. What is salary sacrifice?

A salary sacrifice is an arrangement between you and your employer where you formally agree to a reduction in your salary and in return you receive a benefit (in this case the benefit is contributions, paid by your employer, into your Shared Cost AVC fund).

Further guidance about salary sacrifice is available at [Salary Sacrifice and the effects on PAYE](#)

3. Why have we introduced the Shared Cost AVC scheme?

The Council has introduced the scheme to provide members of the LGPS with an opportunity to pay AVCs in a cost-effective way through the Council's chosen pension provider.

The main advantage over a standard AVC option is that, as well as receiving full Income Tax savings, you will not pay National Insurance contributions (NICs) on the amount of pay that you have sacrificed. As a

result, the scheme allows you to save NICs in addition to Income Tax, therefore increasing your take-home pay when compared to paying AVCs in the standard way.

For example: If your salary is £25,000 per year and you pay £3,000 in standard AVCs per year, your Income Tax savings will be circa £600 per year. If you join the scheme and still choose pay £3,000 per year, you will benefit from the same Income Tax savings, but you will also benefit from NICs savings of circa £360 per year, making the Scheme a lot more beneficial for you versus paying AVCs the standard way.

4. How does the Shared Cost AVC scheme work?

If you decide to take advantage of the scheme, the Council will contribute all but £1 of the amount you have specified into your Shared Cost AVC fund, and in return you will agree to enter a 'salary sacrifice' arrangement under which you formally accept a reduction in your gross salary, which is equal to the contribution from the Council.

As the scheme must be operated on a 'shared cost' basis, you will also be required to pay £1 per month as your contribution to the shared cost AVC arrangement. This tax-free contribution will be deducted from your salary and paid into your Shared Cost AVC fund, in addition to the contribution from the Council under the salary sacrifice arrangement.

As an example, if you would like to pay £100 each month, your total Shared Cost AVC amount will be £100 with £99 being the salary sacrifice amount and £1 being your personal contribution.

5. Who is eligible to participate?

All employees of the Council that are members of the LGPS are eligible to join the scheme. This includes part-time employees. However, relief workers or those who have fixed term contracts of under 3 months are not eligible to participate in the scheme.

If you have more than one contract of employment with the Council, you can join the scheme combining your contractual hours.

Please note that, if at any point your employment income is insufficient to support the salary sacrifice arrangement or if by sacrificing salary, your earnings should fall below the National Minimum/Living Wage or the Lower Earnings Limit, you will be unable to participate in the scheme. However, it may still be possible to participate in the scheme by reducing the salary sacrifice amount to a level that maintains your salary above the required limit.

6. Am I still able to join or remain in the standard AVC arrangement as opposed to the Shared Cost AVC scheme?

The Council will continue to offer a standard AVC arrangement where it is required, however by choosing to do this you will not receive the NIC benefits as per the Shared Cost AVC scheme. The differences between the Shared Cost AVC scheme and the standard AVC arrangement are explained in the table below:

| Shared Cost AVC scheme | Standard AVC arrangement |
|---|--|
| The salary sacrifice amount qualifies for both Income Tax and National Insurance savings. | AVC contributions qualify for Income Tax relief only. No NIC saving is available. |
| In addition to sacrificing salary you must pay a £1 contribution each month to make it a Shared Cost AVC. This £1 qualifies for Income Tax savings only. | N/A |
| No Income Tax saving is available if your taxable earnings are less than the Personal Allowance. See link below for current allowance. | No Income Tax saving is available if your taxable earnings are less than the Personal Allowance. |
| No NIC savings are available if you earn below the Primary NIC threshold. See link below for current threshold. | No NIC savings are available on AVCs. |
| <p>Personal Allowance Income Tax Rates</p> <p>National Insurance Contribution Thresholds Income Tax Rates and Personal Allowances</p> | |

7. I'm already paying AVCs or I have an inactive LGPS AVC plan which is linked to my employment with the Council. If I move to the Shared Cost AVC scheme, what impact does this have on my existing AVC plan?

When you move to the Shared Cost AVC scheme, a new Shared Cost AVC plan will be set-up, and both your contributions and the contributions the Council pays for you through salary sacrifice will be paid into your new Shared Cost AVC plan. The contributions will be invested according to your existing instructions at the date your participation is approved. You can of course change these instructions at any time.

Please note, moving to the Shared Cost AVC scheme will not impact on any other AVC pots you may have related to another job you have or with another LGPS pension fund.

Additionally, the value of your standard AVC with the Prudential will automatically move to the Shared Cost AVC plan. These existing funds will be invested in the same funds and proportions as your standard AVC and will not affect your plan value but will save you money (NIC savings) on the Council contribution via salary sacrifice. Prudential will not charge you for this. You can change the funds your money is invested in at any time by contacting Prudential.

Please note: If you are in a standard AVC plan with the Prudential, your standard AVC plan will automatically be combined with the Shared Cost AVC plan unless you choose to keep them as separate plans. If your standard AVC is not with the Prudential, you have the option to maintain your existing standard AVC plan with your chosen provider. The Council is unable to advise on the suitability of any schemes and you may wish to seek independent financial advice to determine which scheme is right for you.

The implications of combining or not on the terms which apply are as follows:

| Existing AVC Plan Start Date | Member combines plans | Impact |
|--|-----------------------|--|
| Prior to 1 st April 2014 | Yes | Member has one plan - new terms apply to combined value and future contributions. Please see Q8 for further information. |
| Prior to 1 st April 2014 | No | Member has two plans - new terms apply to future contributions to new Shared Cost AVC plan only |
| On, or after, 1 st April 2014 | Yes | Member has one plan - no impact as new terms applied to old plan and continue to apply to combined new plan and future contributions |
| On, or after, 1 st April 2014 | No | Member has two plans – no change to terms as new terms apply to both old and new plans |

Depending on when your standard AVC plan originally started, there may be some changes to the way your Shared Cost AVC plan is administered in line with LGPS scheme rules. See Q8 below for further details.

8. Will my Shared Cost AVC plan be administered on the same terms as a standard AVC?

Your Shared Cost AVC plan will continue to be administered under the same terms as a standard AVC and there will be no change to the annual management charges you currently pay as a result of your participation in this scheme.

However, depending on when your standard AVC plan started there may be some changes to the way the Administering Council is required to administer your Shared Cost AVC plan in line with LGPS scheme rules.

It is important to consider the implications of the regulation differences if you entered your active standard AVC before 1st April 2014 and you decide to join the Shared Cost AVC scheme. The key differences and impacts are explained in the section at the end of the FAQs (Appendix A). The information reflects the Council's understanding of the LGPS Scheme rules that apply to different groups of AVC members, as at May 2018. The rules may change in the future.

Please ensure you read the information in Appendix A as it contains important information to help you decide if the Shared Cost AVC scheme is right for you.

9. Can I see an example of the savings?

The amount you save will depend on the amount of salary sacrificed and the rate at which you pay Income Tax and NICs (Basic Rate or Higher Rate).

On joining the scheme, your basic gross salary will be reduced by the salary sacrifice amount you have specified, and the Council will pay the equivalent sum to your AVC fund.

The advantage is that you do not pay tax or NICs on the amount that you have sacrificed.

EXAMPLE A

Paul, Annual Salary: £30,000 (basic rate tax payer)

Paul is considering paying £300 a month (£3,600 per year) into his Shared Cost AVC.

If Paul decides to join the scheme, his annual salary will be reduced by £3,588, resulting in a monthly reduction in his gross pay of £299. Paul won't have to pay any Income Tax or NICs on the £299 and this will save him £59.80 per month in Income Tax and £35.88 in NICs - a total saving of £95.68 per month or £1,148.16 a year.

In return for sacrificing £3,588 of his salary, the Council will pay this amount into his Shared Cost AVC fund, and he will pay £1 per month as his contribution. The £1 contribution qualifies for Income Tax relief but not any NIC reduction. For Paul this means his personal contribution (£12 per year) will cost £9.60 after Income Tax relief.

Therefore, by participating in the scheme, the gross cost to Paul of investing £3,600 into his Shared Cost AVC plan will be reduced to a net cost of £2,449.44 and this is calculated as follows:

| | |
|---|------------------|
| Salary sacrifice reduction | £3,588.00 |
| Paul's personal shared cost contribution | £12.00 |
| Total | £3,600.00 |
| Less Income Tax saving on salary sacrifice | (£717.60) |
| Less NIC saving on salary sacrifice | (£430.56) |
| Less Income Tax relief on Paul's personal shared cost contribution | (£2.40) |
| Net cost of Shared Cost AVC scheme | £2,449.44 |

Although Paul's net costs are £2,449.44, his Shared Cost AVC fund will receive £3,600 (£3,588 from the Council under the salary sacrifice arrangement and £12 contribution from Paul). The table below shows how the monthly and annual tax and NIC savings arise.

| | Monthly | Yearly |
|----------------------------------|---------------|------------------|
| Gross salary (before Income Tax) | £2,500.00 | £30,000.00 |
| Salary Reduction | £299.00 | £3,588.00 |
| Personal AVC contribution | £1.00 | £12.00 |
| Income Tax saving | £59.80 | £717.60 |
| Plus Income Tax saving on £1 | £0.20 | £2.40 |
| Plus NIC saving | £35.88 | £430.56 |
| Total savings | £95.88 | £1,150.66 |

EXAMPLE B

Anna, Annual Salary: £57,000 (higher rate tax payer)

Anna is considering paying £300 a month (£3,600 per year) into her Shared Cost AVC.

If Anna decides to participate in the scheme, her annual salary will be reduced by £3,588, resulting in a monthly reduction in her gross pay of £299. Anna won't have to pay any Income Tax or NICs on the £299 and this will save her £119.60 per month in Income Tax and £5.98 in NICs - a total saving of £125.58 per month or £1,506.96 a year.

In return for sacrificing £3,588 of her salary, the Council will pay this amount into her Shared Cost AVC fund, and she will pay £1 per month as her contribution. The £1 contribution qualifies for Income Tax relief but not any NIC reduction. For Anna this means her personal contribution (£12 per year) will cost £7.20 after Income Tax relief.

Therefore, by participating in the scheme, the gross cost to Anna of investing £3,600 into her Shared Cost AVC plan will be reduced to a net cost of £2,088.24 and this is calculated as follows:

| | |
|---|------------------|
| Salary sacrifice reduction | £3,588.00 |
| Anna's personal shared cost contribution | £12.00 |
| Total | £3,600.00 |
| Less Income Tax saving on salary sacrifice | (1,435.20) |
| Less NIC saving on salary sacrifice | (£71.76) |
| Less Income Tax relief on Anna's personal shared cost contribution | (£4.80) |
| Net cost of Shared Cost AVC scheme | £2,088.24 |

Although Anna's net costs are £2,088.24, her Shared Cost AVC fund will receive £3,600 (£3,588 from the Council under the salary sacrifice arrangement and £12 contribution from Anna). The table below shows how the monthly and annual tax and NIC savings arise

| | Monthly | Yearly |
|----------------------------------|----------------|------------------|
| Gross salary (before Income Tax) | £4,750.00 | £57,000 |
| Salary Reduction | £299.00 | £3,588.00 |
| Personal AVC contribution | £1.00 | £12.00 |
| Income Tax saving | £119.60 | £1,435.20 |
| Plus Income Tax saving on £1 | £0.40 | £4.80 |
| Plus NIC saving | £5.98 | £71.76 |
| Total savings | £125.98 | £1,511.76 |

The examples above are based on current Income Tax and NICs rates. Please note that the Income Tax saving is available through the standard AVC scheme but the NIC saving is only available through the Council's Shared Cost AVC scheme.

10. When can I join the Shared Cost AVC scheme?

You may join the scheme at any time after the scheme launch date of 14 March 2022.

11. How do I decide the contribution amount to be paid by the Council?

You will be required to specify the total Shared Cost AVC contribution amount. This is the total amount the Council will contribute (the amount salary sacrificed) and your contribution (£1 deduction from gross pay) amount per payroll period.

In deciding the amount to contribute, you will need to consider your pension objectives and annual limits to determine your monthly/annual contribution amount. In addition, you will need to consider the National Minimum/Living wage requirements.

Please note that the Council will ensure that you will have sufficient pay after any reduction to meet all lawful deductions from pay, e.g. student loans, season ticket loans etc.

It is important to remember that you may become subject to a tax charge if you make pension savings which exceed the 'Annual Allowance' in any tax year. This is the amount by which the value of a person's accrued pension rights can grow in one year free of tax. This limit includes:

- the growth in the value of your main LGPS benefits
- any AVCs paid by you and your employer
- contributions to other UK registered pension schemes in a tax year (between 6th April and the following 5th April).

You may be subject to a reduced (tapered) Annual Allowance if your total income exceeds the defined amount. The Council recommends you seek financial and/or tax advice if you think the tapered Annual Allowance applies to you before paying AVCs. You will also be subject to a reduced limit if you have 'flexibly accessed' any money purchase pension savings. Your pension scheme will inform you if this applies to you.

There is no limit on how big your pension fund can grow to. However, you will have a 'Lifetime Allowance' in relation to the maximum amount of tax-relieved benefits you can build up over your lifetime. Therefore, if your pension fund is worth more than your Lifetime Allowance, you may be subject to a tax charge.

Individuals who flexibly access pension benefits from money purchase arrangements are subject to a reduced Money Purchase Annual Allowance (MPAA). The MPAA limits the amount of contributions to money purchase arrangements on which tax relief is available.

For more details about the Annual Allowance, Lifetime Allowance and MPAA please go to HMRC website [HMRC Annual Allowance, Lifetime Allowance and MPAA](#)

12. Can I change the contribution amount?

Yes, you may change the employer contribution amount (the amount salary sacrificed) but you cannot change your £1 contribution amount. This is a fixed amount and cannot be changed at any time during your participation in the scheme.

If you wish to change the contribution amount, you must sign in to the Council's shared cost AVC platform and complete the Amendment amount process, please contact support@AVCWise.co.uk for the full detail on this process.

Please note. When deciding the contribution amount you will need to consider the National Minimum wage, National Living wage and Lower Earning Limit requirements. Please see Q5 and Q24 for further details. In addition, if you wish to increase the contribution amount, you must also consider the annual pension limits - please see Q11 for further details.

13. When can I take the Shared Cost AVC benefits from this arrangement?

The benefits must be taken at the same time as the main LGPS benefit and cannot be deferred to a date later than when the main scheme benefits are taken.

Alternatively, you can transfer your Shared Cost AVC plan to another Registered Pension Scheme. Please note that in cases of flexible retirement you may continue making Shared Cost AVC payments if you wish or you can access all or none of your Shared Cost AVC plan. This is in accordance with changes to the LGPS rules that took effect from 1 April 2014. The Government currently allows people to start taking their benefits from the age of 55, even if you are still working. You may be able to start taking your benefits early if you're in ill health. The minimum age from which you can access your personal or occupational pension is expected to increase from 55 to 57 in 2028 and remain at 10 years below the State Pension age. The maximum age from which you must take your Shared Cost AVC benefits is currently 75.

14. Should I be worried by the fact that you are reducing my gross pay?

You should not be worried as the Council will continue to recognise your pre-sacrificed salary (notional salary) as outlined in points 15 to 23 below.

15. What will happen if I have a pay award, promotion or other increment?

Any future pay awards, increments or promotions will be based on your original salary, prior to your participation in the Shared Cost AVC scheme. This original salary is known as 'notional salary'. If you opt-out of the scheme your actual salary will revert to the level of your notional salary.

16. What happens to earnings related payments such as overtime?

Participation in the Shared Cost AVC scheme will not affect payments such as overtime, additional hours' payments and shift allowances. These will continue to be calculated on your notional salary prior to participation in the scheme.

17. Will my LGPS pension be affected?

The Council is permitted to treat the Shared Cost AVC amount as part of your pensionable pay and, therefore, the contributions that both you and the Council make into the LGPS will continue as though your salary had not been reduced. Consequently, your main LGPS benefits will be unaffected by your joining the Shared Cost AVC scheme including any benefits due to your dependants in the event of your death.

18. Will participating in the Shared Cost AVC scheme impact on any salary-related payments?

Your participation in the scheme may have an impact on the following earnings-related statutory benefits:

- Statutory Maternity Pay (SMP)
- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)

Statutory Sick Pay (SSP)
Statutory Redundancy Pay (SRP)
Statutory Shared Parental Pay (ShPP)

If you are eligible for any of the above payments, the statutory amount due to you is based on your earnings during a certain period. Therefore, by taking part in the scheme, the statutory benefits will be calculated by reference to your reduced salary and the amount of benefit you receive is likely to be lower.

If you are likely to receive these benefits, you should first consider carefully whether your participation in the scheme will be worthwhile. Please contact HR Services at pay.mailbox@derbyshire.gov.uk or telephone the Pay Team on 01629 535119 Option 3 for advice as to how this may affect you individually and the options available to you.

19. What happens if I am eligible for any occupational related benefits e.g. occupational maternity pay?

Occupational payments are not affected by the Shared Cost AVC scheme and will be calculated on your notional salary.

20. If I am made redundant or take voluntary redundancy, will participation in the scheme affect my redundancy payment?

Statutory earnings-related payments such as Statutory Redundancy Pay will be calculated on your reduced salary. However, whilst such payments must be based on your reduced salary, employers can make payments over and above any statutory entitlement and can choose to base those additional payments on notional salary (occupational redundancy pay). The Council's policy is to calculate redundancy payments on notional salary. Therefore, participation in the Shared Cost AVC scheme will not affect redundancy payments.

21. What happens if I am absent from work or on unpaid leave?

The salary sacrifice and benefit arrangements will continue during any period of maternity, paternity, adoption, parental or sick leave as long as your employment income is sufficient to support the salary sacrifice arrangement. If at any point your employment income is insufficient or should your entitlement to paid leave cease, you will not be eligible to participate in the scheme and the contributions paid into your Shared Cost AVC fund will cease.

Once your employment income is sufficient to support the salary sacrifice arrangement, you can apply to resume your participation in the scheme.

Please note that statutory payments must be made in full and cannot be reduced by the terms of a salary sacrifice arrangement. However, since any reduction in your gross pay will adversely affect your statutory entitlement to benefits such as SSP and SMP, it may be in your interest to terminate the arrangement before the absence period and return to your original gross salary. Please see Q26 for further details.

22. I am currently repaying a student loan which is based on a percentage of my earnings over the approved threshold. Will this alter?

Yes, it will alter as the student loan repayments are calculated on the salary on which you are liable to pay NICs. Under the Shared Cost AVC scheme your total gross salary on which NICs is paid will reduce, hence your loan repayments will decrease. You should bear in mind that any decrease in your loan repayments will result in you repaying for an additional time period.

23. Will participating in the scheme impact on mortgage or loan applications?

This will depend on the mortgage provider. The 'Notional Salary' will continue to be shown on the employee's payslip and therefore should not affect applications for loans and mortgages. However, it is important to note that different lenders take their own approach and some may choose to base the affordability criteria on the reduced salary.

24. I currently receive tax credits. Will joining the Shared Cost AVC scheme affect my entitlement to tax credits?

The tax credit calculation is based on your taxable (P60) income. By signing up to the Shared Cost AVC scheme, your taxable income will be reduced and therefore your tax credit entitlement may change. Given the complexities involved in calculating entitlement to tax credits, we recommend that if you have any queries you go to: [Tax Credits](#) for more information or contact HM Revenue & Customs helpline on 0345 300 3900.

25. Will participating in the scheme impact on any contribution-based benefits?

If entering the Shared Cost AVC scheme means that your gross pay is less than the annual Lower Earnings Limit (LEL) for NICs, it may affect your eventual entitlement to the Basic State Retirement Pension and you may lose entitlement to certain other benefits. Therefore, if your weekly pay is less than the LEL you will be unable to participate in the scheme. Please see link for confirmation of the thresholds. [Rates and Allowances : NI Contributions](#)

26. Can I participate in any other salary sacrifice arrangements provided by the Council?

The Council currently provides an opportunity for employees to participate in other salary sacrifice arrangements. You may participate in more than one, but, if by increasing your salary sacrifice amount, your earnings fall below the National Living/Minimum Wage or Lower Earnings Limit, you will need to consider which scheme(s) to join.

27. Can I withdraw from the scheme?

Yes, to end your participation in the Shared Cost AVC scheme, you must sign in to the Council's shared cost AVC platform and complete the Cancellation process. As mentioned in Q12, an amendment of the Shared Cost AVC will be permitted at any time. The minimum monthly amount is £2. If you opt-out of the scheme, the contributions paid into your Shared Cost AVC fund by the Council and your monthly £1 contribution will cease. In this event, your Shared Cost AVC fund will remain invested by the fund provider. You can resume your participation in the scheme at a later date by restarting your Shared Cost AVC arrangement. In this event, your Shared Cost AVCs will be paid into your original Shared Cost AVC plan.

If you opt-out of the scheme, you can choose to pay AVCs through a standard AVC arrangement. In this situation, you must contact AVC Wise to confirm your request to pay Standard AVCs.

Email: support@AVCWise.co.uk Telephone: 01252 959779

As part of this process, you will have the option to combine your Shared Cost AVC plan with your new Standard AVC plan.

28. What happens if I leave my employment with the Council or I leave the main LGPS?

If your employment with the Council terminates for whatever reason, your entitlement to participate in the Shared Cost AVC scheme will cease immediately and all contributions will cease.

If you have LGPS membership of two years or more, your Shared Cost AVC pot will remain invested and will be available to provide you with additional benefits on retirement. Please note that charges may continue to be deducted to cover the cost of managing your plan in the intervening period.

Alternatively, you can transfer all your local government AVC benefits, including any local government AVCs held with other employers, to any other pension scheme of your choice that will accept the transfer.

If you have less than two years LGPS membership on leaving employment with the Council, you can choose to receive a refund equal to the realisable value of your AVC plan. Please note that the value of the AVC fund will reduce to take in to account of the tax relief you will have benefitted from during the period that contributions were made.

29. Where can I get more information about AVCs and the investment options?

For more details about AVCs please go to: [Prudential AVCs](#) or contact Prudential directly by telephone 0345 600 343.

These FAQs and other information provided by the Council explain how AVCs and contributions paid under the Shared Cost AVC Scheme are treated for tax and national insurance purposes. It is important that you read the Key Facts literature provided by Prudential to ensure you understand ALL the features and terms before deciding whether Shared Cost AVCs is right for you. The Key Facts document is available at [Prudential Local Government AVC Scheme : Key Facts](#)

Appendix A.
KEY DIFFERENCES AND IMPACTS OF MOVING FROM STANDARD AVC TO SHARED COST AVC SCHEME

| Subject | AVC plan commenced prior to 13 th November 2001 | AVC Plan commenced on/after 13 th November 2001 and prior to 1 st April 2014 | AVC Plan commenced on, or after, 1 st April 2014 |
|---|---|--|---|
| With Profits* (MVR free guarantee date) | 65 | 65 | State Pension Age (subject to minimum of age 65) |
| *If invested in With-Profits, any minimum bonus guarantee and bonus history will be carried over and continue uninterrupted | | | |
| Lifestyle Option (target date for taking benefits) | Selected Retirement Age Or 65 (if no age selected) | Selected Retirement Age Or 65 (if no age selected) | Selected Retirement Age Or State Pension Age (if no age selected) |
| Life Cover (age cover ceases) | 65 | 65 | State Pension Age (subject to minimum of age 65) |
| Scheme Regulations | | | |
| Normal Pension Age for AVC purposes | 65 | 65 | State Pension Age (subject to minimum of age 65) |
| Use of AVC to purchase additional LGPS Pension | Yes – subject to statutory guidance. Options will be provided at point of retirement | Yes – subject to statutory guidance. Options will be provided at point of retirement | Yes – subject to statutory guidance. Options will be provided at the point of retirement |
| Use of AVC to purchase additional LGPS service | Member has right to buy additional membership in certain circumstances (flexible or ill health retirement or ceasing payment of AVCs before retirement) | No right to buy additional scheme membership | No right to buy additional scheme membership |
| AVC Benefits on flexible retirement | Member must take AVC benefits on flexible retirement | All, or none, of the AVC plan must be taken on flexible retirement | All, or none, of the AVC plan must be taken on flexible retirement. |
| Aggregation | No requirement for AVC to be aggregated where main benefits are aggregated | No requirement for AVC to be aggregated where main benefits are aggregated | AVC automatically aggregated where main scheme benefits are aggregated but members who were in the scheme on both 31/03/2014 and 01/04/2014, and who have no continuous break in service in a public service pension scheme longer than 5 years, can elect that their AVC benefits are NOT automatically aggregated |

What does aggregation mean?

If you choose to transfer to the Shared Cost AVC scheme, Prudential will set-up a new Shared Cost AVC plan and your existing standard AVC plan will be aggregated with the new Shared Cost AVC plan. This means the value of your standard AVC will automatically move to the Shared Cost AVC plan. These existing contributions will be invested in the same funds and proportions as set-up under your original standard

AVC arrangement and will not affect your plan value. In addition, your new Shared Cost AVC plan will be administered in accordance with the current **1 April 2014** regulations.

Therefore, if your standard AVC plan commenced **on or after 1 April 2014**, your plan is currently administered in accordance with the **1 April 2014** regulations and there are no impacts of aggregating your standard AVC plan with the Shared Cost AVC plan.

If your standard AVC plan commenced **before 1 April 2014**, your plan is currently administered in accordance with the **pre-1 April 2014** regulations. If you choose to transfer to the Shared Cost AVC scheme and aggregate, your new Shared Cost AVC plan will no longer be administered by the **pre-1 April 2014** regulations. Therefore, there may be some differences to the way your plan is administered if you choose to transfer to the Shared Cost AVC scheme. The differences are explained in the Appendix A of the scheme FAQs.

For example, in relation to an AVC member with life cover, this will automatically cease at age 65 for a member with plans that commenced **pre- 1 April 2014** and will cease at the member's State Pension Age (subject to minimum 65 but could be 67) for **post 1 April 2014** plans.

Can I choose to participate in the Shared Cost AVC scheme and choose not to aggregate my standard AVC plan with the Shared Cost AVC plan?

Yes, if your standard AVC plan commenced **before 1 April 2014** and you wish to participate in the Shared Cost AVC scheme, you can choose not to aggregate your standard AVC plan with the Shared Cost AVC plan. This means your standard AVC plan will continue to be administered in accordance with the **pre-1 April 2014** regulations and your new Shared Cost AVC plan will operate as a separate plan. In this event, you will have a standard AVC plan and a Shared Cost AVC plan to draw at retirement.

If you have any queries about any of the key differences and how this may impact you, or anything else about the Shared Cost AVC scheme, please contact support@AVCWise.co.uk Telephone: 01252 959779