



AVCs -  
the facts



## AVCs – read the facts

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Most people are increasingly spending more time in retirement. So, building up the best possible pension whilst working is vital for a comfortable retirement. With this in mind, as an active member of the Open Fund you can pay extra contributions to increase your retirement benefits. These extra contributions are known as Additional Voluntary Contributions (AVCs). However, whilst this booklet focuses on AVCs, they are not the only method of increasing income in retirement. Information on alternative methods can be obtained from an independent financial adviser.

AVCS are useful if you only have limited service as a member of the ITB Open Fund and/or if you are considering early retirement. Even if retirement seems a long way off, now may be the time to start paying AVCs because the longer they are invested the greater their value will be at retirement (not necessarily the case with Unit Linked Funds which are dependent upon investment performance).

Under current legislation AVCs offer a simple and tax efficient way of saving. Your contributions attract full tax relief at the highest rate of tax you pay. This means that if you pay £10 per month the real cost is £8 if you pay income tax at 20% and £6 if you pay tax at 40%. Tax relief on your AVCs is automatically allowed for through your employer's payroll systems.

You choose the amount of AVCs you pay, expressed as a percentage of your salary. You can pay up to a maximum of 20% of your pensionable earnings in any one Scheme year (1 April to 31 March) as AVCs. AVCs cannot be backdated to previous tax years to utilise previous unused maximums.

The Trustees operate the following AVC arrangements:

- A “**With-Profits Fund**”;
- A “**Deposit Fund**”;
- A number of “**Unit Linked Funds**”; and
- A “**Lifestyle Fund**”.

The benefits you earn will depend on which AVC arrangement you decide to join. You are able to participate in any of the AVC Plans which are currently invested separately with the Prudential.

Contributions to the AVC arrangements are normally expressed as a percentage of your salary.

# The With-Profits Fund

## How does the Scheme Work?

COMPARE

The With-Profits AVC Plan is arranged with the Prudential Assurance Company by the ITB Pension Trustees.

The Prudential ranks this investment as medium risk and states that the With-Profits Plan should provide a higher return than a Deposit Fund and while it invests in the same sort of areas as Unit Linked Funds it smooths out most of the peaks and troughs. Being recognised as a medium risk fund it has proved a popular choice with people paying AVCs.

A large part of the Fund is invested in the shares of companies around the world and commercial property which the insurer concerned believes will give the best return over the longer-term, but the returns on these assets can be volatile and so a significant proportion of the Fund is also invested in bonds, alternative assets and cash. The special feature of this fund is that the returns are added to your AVC account by way of a bonus system, which smooths out the ups and downs of investment performance.

The future rate of bonuses in the With-Profits Fund is not guaranteed, nor therefore is the rate of growth of your investment. Terminal bonus can be reduced or removed retrospectively without notice.

For more information about investing in AVCs with the Prudential refer to the guide [PRU - AVCs](#).

## What happens when I retire?

COMPARE

At retirement your AVCs are used to provide additional pension or tax-free cash. If you wish to buy additional pension you can do this through Prudential or another insurance company of your choice.

## What happens if I die before retirement?

COMPARE

The accumulated value of your account will become payable. As in the case of other lump sum death benefits the Trustees will decide to whom payment should be made after referring to any Nomination Form you may have completed.

Any cash payments arising do not form part of your “estate” and are therefore, currently, exempt from Income and Inheritance Tax.

## The With-Profits Fund (cont.)

### What happens if I die in retirement?

COMPARE

Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

### What happens if I leave service?

COMPARE

If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the value of your AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme the accumulated value of your AVC account will normally be transferred in the same way. If money is taken out of the With-Profits Fund at any time other than your normal retirement date or on your death, the amount payable may be reduced to reflect the value of the underlying assets at that time. This is known as a Market Value Reduction (MVR).

The current practice of Prudential, which they may review at any time, is not to apply MVRs to members of this arrangement who retire or who take a transfer value to another pension arrangement.

### May I change the contributions rate or stop paying AVCs?

COMPARE

You may stop, restart, reduce or increase your AVCs at any time if you contribute to the With-Profits Fund.

APPLICATION FORM

AMENDMENT FORM

# The Deposit Fund

## How does the Scheme Work?

COMPARE

The Deposit AVC Plan is arranged with the Prudential Assurance Company by the ITB Pension Trustees.

The Prudential ranks this investment as low risk and states that the Deposit Fund, which like a building society account, earns a variable rate of interest. The money in this fund is secure – but it will never achieve significant returns. This is the lowest risk fund, particularly suited to periods when you are worried about uncertainty in the Stock Market – or during the last year or two before retirement, when you may wish to preserve past investment gains from the risk of any sudden falls in value.

For more information about investing in AVCs with the Prudential refer to the guide [PRU - AVCs](#).

## What happens when I retire?

COMPARE

At retirement your AVCs are used to provide additional pension or tax-free cash. If you wish to buy additional pension you can do this through Prudential or another insurance company of your choice.

## What happens if I die before retirement?

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The accumulated value of your account will become payable. As in the case of other lump sum death benefits the Trustees will decide to whom payment should be made after referring to any Nomination Form you may have completed.

Any cash payments arising do not form part of your “estate” and are therefore, currently, exempt from Income and Inheritance Tax.

## What happens if I die in retirement?

COMPARE

Unless otherwise advised at retirement your AVCs will not purchase any additional spouse’s/children’s pensions or lump sum.

## The Deposit Fund (cont.)

### What happens if I leave service?

COMPARE

If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the full accumulated value of your AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will continue to attract a full rate of interest and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme the accumulated value of your AVC account will also normally be transferred in the same way.

### May I change the contributions rate or stop paying AVCs?

COMPARE

You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Deposit Fund.

APPLICATION FORM

AMENDMENT FORM

## How does the Scheme Work?

[COMPARE](#)

The Unit Linked AVC Funds are arranged through the Prudential Assurance Company by the ITB Pension Trustees.

The Unit Linked Funds offer a direct stake in a range of company shares, government securities or commercial properties – or in a combination of these. Your contributions buy units in your chosen fund – and the day-to-day price of the units, and thus the value of your holding, can go down as well as up in line with the value of the fund’s investments. Each fund has its own risk profile.

For more information about investing in AVCs with the Prudential refer to the guide [PRU - AVCs](#). The Unit Linked Funds offered by ITB are set out below;

### Selection

### Prudential Risk Rating

|                                      |                       |
|--------------------------------------|-----------------------|
| Fixed Interest Fund                  | Relatively Low Risk   |
| Retirement Protection Fund (Passive) | Relatively Low Risk   |
| Overseas Equity (Passive)            | Medium to Higher Risk |
| UK Equity Fund (Passive)             | High Risk             |
| Socially Responsible Fund            | High Risk             |
| Balanced Fund                        | Medium Risk           |

## What happens when I retire?

[COMPARE](#)

At retirement your AVCs are used to provide additional pension or tax-free cash. If you wish to buy additional pension you can do this through Prudential or another insurance company of your choice.

## What happens if I die before retirement?

[COMPARE](#)

The accumulated value of your account will become payable. As in the case of other lump sum death benefits the Trustees will decide to whom payment should be made after referring to any Nomination Form you may have completed.

Any cash payments arising do not form part of your “estate” and are therefore, currently, exempt from Income and Inheritance Tax.

## Unit Linked Fund (cont.)

### What happens if I die in retirement?

COMPARE

Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

### What happens if I leave service?

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If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the accumulated value of you AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme, the accumulated value of your AVC investment will also normally be transferred in the same way.

### May I change the contributions rate or stop paying AVCs?

COMPARE

You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Unit Linked Fund.

APPLICATION FORM

AMENDMENT FORM



## How does the Scheme Work?

[COMPARE](#)

A Lifestyle AVC Fund 'Profile 10' is arranged through the Prudential Assurance Company by the ITB Pension Trustees.

The Lifestyle Fund invests predominantly in equities for younger members and gradually switch towards bonds and cash as the member approaches retirement. These lifestyle funds aim to balance the member's desire to maximise returns over the longer-term as well as protecting the value of their accumulated fund as retirement approaches.

Switches normally occur during April and will usually commence ten years from your normal retirement date of age 65. The aim being that on retirement at age 65, most of your account is invested in Gilts (some remaining in equities, giving the opportunity to benefit if equities are relatively strong) in anticipation of the need to purchase an annuity. Gilts are government-back bonds, traditionally regarded as being a 'safe investment'.

For more information about investing in AVCs with the Prudential refer to the guide [PRU - AVCs](#).

## What happens when I retire?

[COMPARE](#)

If you intend to retire early you should indicate your preferred retirement age on the application form to ensure that the switches occur at the appropriate times. If your plans for retirement change at some future date, you may wish to advise the ITB Pension Funds Office so that the automatic switching programme can be amended accordingly.

Leaving your retirement age open means that the precise target split is only achieved if you actually retire at age 65. However, even if retirement occurs earlier, the automatic switching programme will have gone some way towards reducing the uncertainty of securing benefits at retirement.

At retirement your AVCs are used to provide additional pension or tax-free cash. If you wish to buy additional pension you can do this through Prudential or another insurance company of your choice.

## Lifestyle Fund (cont.)

### What happens if I die before retirement?

[COMPARE](#)

The accumulated value of your account will become payable. As in the case of other lump sum death benefits the Trustees will decide to whom payment should be made after referring to any Nomination Form you may have completed.

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### May I change the contributions rate or stop paying AVCs?

[COMPARE](#)

You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Lifestyle Funds.

[APPLICATION FORM](#)[AMENDMENT FORM](#)

### **What about other pension schemes instead of or in conjunction with paying into one of the ITB AVC Plans?**

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You can also join - and make contributions to - other registered pension schemes outside of the ITB Scheme's arrangements, such as a personal pension or a non-ITB AVC scheme, whilst remaining a member of the ITB Scheme.

Across all your pension schemes you can make tax-free contributions of up to 100% of your earnings in any one tax year.

Before taking a decision it may be in your best interests to consult an Independent Financial Advisor about paying AVCs and/or providing some other form of additional pension provision and/or alternative non-pension related investment.

Please note that the ITB Pension Funds Office does not provide advice on what AVC may be best for you, nor does the Office provide advice on any other types of pension or other forms of investment.

Once you have left pensionable service (or become a pensioner) under the ITB Pension Funds you cannot continue to pay into any of the AVC arrangements provided via the ITB Pension Funds.

### **The Lifetime Allowance (LTA) and the Annual Allowance (AA)**

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You should bear in mind the implications of the Lifetime Allowance (LTA) and the Annual Allowance (AA) when planning extra saving for retirement. More information on this is available in the Member Booklet.

### **Where to get more information?**

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If you are considering making AVCs to one of the ITB Pension Funds AVC arrangements, or require further information please contact the ITB Pension Funds in writing, at 23 King Street, Watford, Hertfordshire, WD18 0BJ or telephone the Helpline Number: - 01923 801528.

## How does the Scheme Work? (1/2)



**THE WITH-PROFITS FUND** - The With Profits AVC Plan is arranged with the Prudential Assurance Company by the ITB Pension Trustees.

The Prudential ranks this investment as medium risk and states that the With Profits Plan should provide a higher return than a Deposit Fund and while it invests in the same sort of areas as Unit Linked Funds it smooths out most of the peaks and troughs. Being recognised as a medium risk fund it has proved a popular choice with people paying AVCs.

A large part of the Fund is invested in the shares of companies around the world and commercial property which the insurer concerned believes will give the best return over the longer-term, but the returns on these assets can be volatile and so a significant proportion of the Fund is also invested in bonds, alternative assets and cash. The special feature of this fund is that the returns are added to your AVC account by way of a bonus system, which smooths out the ups and downs of investment performance.

The future rate of bonuses in the With-Profits Fund is not guaranteed, nor therefore is the rate of growth of your investment. Terminal bonus can be reduced or removed retrospectively without notice.

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### **BACK TO THE WITH-PROFITS FUND**

**THE DEPOSIT FUND** - The Deposit AVC Plan is arranged with the Prudential Assurance Company by the ITB Pension Trustees.

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### **BACK TO THE DEPOSIT FUND**

## How does the Scheme Work? (2/2)



**UNIT LINKED FUND** - The Unit Linked AVC Funds are arranged through the Prudential Assurance Company by the ITB Pension Trustees.

The Unit Linked Funds offer a direct stake in a range of company shares, government securities or commercial properties – or in a combination of these. Your contributions buy units in your chosen fund – and the day-to-day price of the units, and thus the value of your holding, can go down as well as up in line with the value of the fund’s investments. Each fund has its own risk profile.

For more information about investing in AVCs with the Prudential refer to the guide [PRU - AVCs](#). The Unit Linked Funds offered by ITB are set out below;

| Selection                            | Prudential Risk Rating |
|--------------------------------------|------------------------|
| Fixed Interest Fund                  | Relatively Low Risk    |
| Retirement Protection Fund (Passive) | Relatively Low Risk    |
| Overseas Equity (Passive)            | Relatively High Risk   |
| UK Equity Fund (Passive)             | High Risk              |
| Socially Responsible Fund            | High Risk              |
| Balanced Fund                        | Medium Risk            |

### BACK TO UNIT LINKED FUND

**LIFESTYLE FUND** - A Lifestyle AVC Fund ‘Profile 10’ is arranged through the Prudential Assurance Company by the ITB Pension Trustees.

The Lifestyle Fund invests predominantly in equities for younger members and gradually switch towards bonds and cash as the member approaches retirement. These lifestyle funds aim to balance the member’s desire to maximise returns over the longer-term as well as protecting the value of their accumulated fund as retirement approaches.

Switches normally occur during April and will usually commence ten years from your normal retirement date of age 65. The aim being that on retirement at age 65, most of your account is invested in Gilts (some remaining in equities, giving the opportunity to benefit if equities are relatively strong) in anticipation of the need to purchase an annuity. Gilts are government-back bonds, traditionally regarded as being a ‘safe investment’.

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### BACK TO LIFESTYLE FUND

## What happens when I retire?



**THE WITH-PROFITS FUND** - At retirement your AVCs are used to provide additional pension or tax-free cash. If you wish to buy additional pension you can do this through Prudential or another insurance company of your choice.

**BACK TO THE WITH-PROFITS FUND**

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**BACK TO THE DEPOSIT FUND**

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**BACK TO UNIT LINKED FUND**

**LIFESTYLE FUND** - If you intend to retire early you should indicate your preferred retirement age on the application form to ensure that the switches occur at the appropriate times. If your plans for retirement change at some future date, you may wish to advise the ITB Pension Funds Office so that the automatic switching programme can be amended accordingly.

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**BACK TO LIFESTYLE FUND**

## What happens if I die before retirement?



**THE WITH-PROFITS FUND** - The accumulated value of your account will become payable. As in the case of other lump sum death benefits the Trustees will decide to whom payment should be made after referring to any Nomination Form you may have completed.

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**BACK TO LIFESTYLE FUND**

### What happens if I die in retirement?



**THE WITH-PROFITS FUND** - Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

**BACK TO THE WITH-PROFITS FUND**

**THE DEPOSIT FUND** - Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

**BACK TO THE DEPOSIT FUND**

**UNIT LINKED FUND** - Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

**BACK TO UNIT LINKED FUND**

**LIFESTYLE FUND** - Unless otherwise advised at retirement your AVCs will not purchase any additional spouse's/children's pensions or lump sum.

**BACK TO LIFESTYLE FUND**



## What happens if I leave service? (1/2)



**THE WITH-PROFITS FUND** - If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the value of your AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme the accumulated value of your AVC account will normally be transferred in the same way. If money is taken out of the With-Profits Fund at any time other than your normal retirement date or on your death, the amount payable may be reduced to reflect the value of the underlying assets at that time. This is known as a Market Value Reduction (MVR).

The current practice of Prudential, which they may review at any time, is not to apply MVRs to members of this arrangement who retire or who take a transfer value to another pension arrangement.

### **BACK TO THE WITH-PROFITS FUND**

**THE DEPOSIT FUND** - If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the full accumulated value of your AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will continue to attract a full rate of interest and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme the accumulated value of your AVC account will also normally be transferred in the same way.

### **BACK TO THE DEPOSIT FUND**

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### **BACK TO UNIT LINKED FUND**

### What happens if I leave service? (2/2)



**LIFESTYLE FUND** - If, on leaving service you are entitled to and elect a cash refund of your normal fund contributions, you will also receive the accumulated value of your AVC account, less a deduction for tax (currently at the rate of 20% on the first £10,800 of contributions (including your standard ITB Scheme contributions) and at 40% on contributions (including your standard ITB Scheme contributions) over £10,800). Otherwise your AVC benefits will remain invested with the insurer and will be payable in addition to your normal benefits at retirement. If the cash value of your ITB Open Fund benefit is transferred on leaving to a new employer's pension scheme, the accumulated value of your AVC investment will also normally be transferred in the same way.

**BACK TO LIFESTYLE FUND**

### May I change the contributions rate or stop paying AVCs?



**THE WITH-PROFITS FUND** - You may stop, restart, reduce or increase your AVCs at any time if you contribute to the With-Profits Fund.

**BACK TO THE WITH-PROFITS FUND**

**THE DEPOSIT FUND** - You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Deposit Fund.

**BACK TO THE DEPOSIT FUND**

**UNIT LINKED FUND** - You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Unit Linked Fund.

**BACK TO UNIT LINKED FUND**

**LIFESTYLE FUND** - You may stop, restart, reduce or increase your AVCs at any time if you contribute to the Lifestyle Funds.

**BACK TO LIFESTYLE FUND**





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Email: [Pensions@itb-online.co.uk](mailto:Pensions@itb-online.co.uk)