

AVCs

Additional voluntary contributions

Working in partnership with the
Local Government Pension Scheme
to help you towards a more
comfortable retirement





As a member of the Local Government Pension Scheme, you need to make sure you're saving enough to provide the tax-free cash or regular income you want in retirement.

Will you have enough money

Top up with AVCs

Additional voluntary contributions (AVCs) are additional payments made to top up a pension arrangement. They can be a great way to catch up if you started paying into a pension late or plan to retire early. Even if you don't plan to retire for a long time, making extra payments can be of benefit should you be forced to retire earlier than planned.

Even if you are closer to retirement AVCs are still a great way to provide funds for your future.

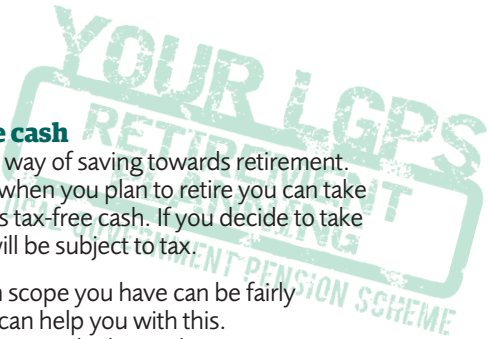


You can take up to 100%* of your AVC fund as tax-free cash, meaning that you can have an even bigger lump-sum to get your retirement off to the best possible start.

What are the benefits of making AVCs?

- Choose how you want your benefits
- Contributions qualify for tax relief
- Contributions paid directly from your salary
- Choose where you want to invest
- Flexibility with your contributions

*Should not be more than 25% of total pension fund. Subject to Scheme rules and overall limits set by HMRC.



How do you want your benefits?

The good thing about topping up with AVCs is that you are in control of how you take your benefits at retirement. One option is to add your AVC pension pot to your main Fund benefits and take an increased income for your retirement.

Up to 100% tax-free cash

AVCs are a tax-efficient way of saving towards retirement. You can build it up and when you plan to retire you can take up to 100% of this pot as tax-free cash. If you decide to take your pot as income, it will be subject to tax.

Working out how much scope you have can be fairly complex; however, we can help you with this. The example below gives you the basic idea.

Brenda's local government main pension will pay her £8,000 a year. If she also has an AVC pot worth £20,000 this is how the taxman will value her 'total pensions pot':

Valuation of benefits

Main Scheme benefits	£160,000
AVC	£20,000
Total pensions pot	£180,000

Tax allowances mean Brenda can take up to 25% of her total pensions pot as tax-free cash, in other words £45,000 – so she can take all of her AVC as cash as it is well within the limit. In fact, she would also have some scope to turn part of her LGPS pension into lump-sum too.

To provide a rough estimation of your own pension pot, multiply your expected main Scheme pension by 20, then add the tax-free cash from the main Scheme together with the AVC fund. Multiplying this answer by 25% provides you with an indication of the



Another option is to add your AVC pot to your main fund benefit and take up to 25% lump-sum as tax-free cash, while using the rest to provide a retirement income.

The amount of pension you receive will be set by the rates on offer when you retire, influenced by factors like interest rate levels, your age and the type of pension you want. Keep in mind, however, that pension income you receive will be taxed as earned income.

Call our UK-based specialists on **0845 607 0077**

for retirement?

maximum tax-free cash sum that you may receive at retirement.

This is just an example designed to represent a typical situation, and does not relate to any particular individual; you could get back more or less than this.

You should not look upon this as financial advice or a recommendation of a particular course of action. You should consider your own circumstances fully, and may wish to consult a financial adviser to help you make a decision.

Tax-efficient

Why don't you let the tax man help you save towards retirement? An AVC is one of the most tax-efficient ways to save for retirement. If you pay into an AVC, you can receive tax relief on your salary.

The Government limits the amount that can be contributed every year before incurring tax penalties. This is called the 'annual allowance'. The level of annual allowance is currently £50,000. If you exceed the annual allowance, a tax charge of up to 50% of the excess amount will be payable.

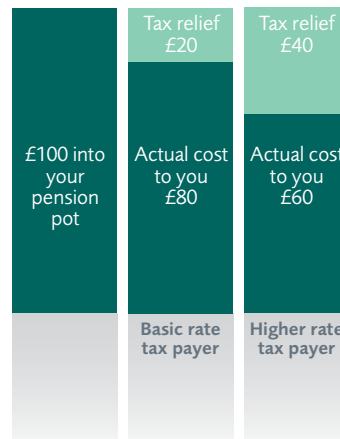
However, any unused allowance from 'pension input periods' ending in the previous three tax years, may be carried forward to increase your annual allowance for the current year (provided you have used the current annual allowance first and you were a member of a registered pension plan).

Your annual allowance includes:

- any contributions you, your employer or anyone else makes to all your money purchase pension plans.
- any increase in the value of benefits under your main scheme and any other salary-related pension schemes, also known as 'final salary', 'defined benefit' or 'career average' schemes. The formula used to value your pension to establish how much of the annual allowance you have used has changed. Please speak to your Scheme administrator/trustees if you require further information.

Together, these are known as your 'pension inputs'.

Your pension inputs are assessed against the annual allowance for the tax year in which the 'pension input period' ends. For information on your pension input period, please contact your main scheme administrator.



Contributions will be taken directly from your earnings, so there is no need to fill out any complicated tax forms.

Also, for every £100 you put in, you will get £20 tax relief, rising to £40 if you pay tax at the higher rate, as the graph illustrates. The above is based on our understanding, as at April 2011, of current taxation legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax relief) depends on individual circumstances.

Flexible

You can increase, decrease, stop and start payments as required, if your personal circumstances change. This is particularly important as you get closer to retirement when you may be able to afford a higher contribution in order to help boost your benefits. You are allowed to pay up to 50% (100% for members in Scotland) of your salary towards your AVC pot and qualify for tax relief at your highest rate. As an alternative or in addition to AVCs, you can also buy 'additional pension' by making additional regular contributions via your pension scheme. Contact your scheme administrator for further details on this option.

Please note even if you stop making regular payments our charges will continue to be deducted.



Choice of investments

You can choose where you want to invest your AVC pot. There are a wide range of funds to choose from, each with their own levels of risk; so whether you are a high risk-taker or prefer to be a bit more cautious, there is something there for you. You can even spread your investments so they are not all exposed to the same level of risk.

You can choose from the funds available to meet your needs and circumstances, with the long-term aim of providing inflation-beating returns.

Your AVCs are also invested in a fund which is largely tax-free – so they should grow much faster than they would if the fund was subject to tax.

You also have the option to move your funds; this could be beneficial, for example, if you want to move to lower risk funds as you are nearing retirement. To find out more about the funds, please refer to your Scheme guide to fund options, or log on to www.pru.co.uk/localgov and select the scheme you belong to.

The value of your investment may go down as well as up, and the Fund value at retirement may be less than the payments you have made. Please bear in mind that inflation could reduce the value of your AVC pot and any growth from it.

YOUR LGPS
RETIREMENT
PENSION SCHEME



PRUDENTIAL – A NAME YOU CAN TRUST

In these times of financial turbulence, it is important that your money is invested with a company you can trust. Prudential is an appointed AVC provider to your pension scheme fund and now administer 60% of local government pension schemes in the UK.

Currently over 200,000 public sector employees use our AVC facility to boost their pension and/or tax-free lump-sum at retirement.

Source: Prudential 2010.

The sooner you apply, the bigger the difference it could make to your retirement.

Apply now - applying for an AVC is easier than you may think.

Call our UK-based specialists on **0845 607 0077** to start your AVC. Prudential's trained and professional staff are ready to answer your questions with factual information, but they cannot give advice. You also have the option to give your instructions over the phone, avoid filling out lengthy forms and getting your contributions working for you sooner.

Prudential has given no advice on this investment. If you are unsure as to the suitability of this product, please seek financial advice. You may be charged for this advice. Lines are open 9am to 6pm Monday to Friday.

pru.co.uk/localgov wmpfonline.com

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