

It's all change when it comes to AVCs

This document is for members who have not started to take their pension and have an AVC pot in the Fund



PENSION
FUND

Using your AVC pot

When you come to take your main benefits from the Fund, you also need to decide what to do with your AVC pot. You can now choose to apply all or part of it towards your tax-free pension commencement lump sum (PCLS), or to treat it as a separate pot.

Your AVC statement shows you the value of your AVC pot. It also gives you an idea of the amount of pension it might buy, were you to use it to buy an annuity (an income for your lifetime).

However, as mentioned in the 2014 Pensions News, the Government in its 2014 Budget introduced greater flexibility in the way that pension savers can take their retirement savings once they reach the age of 55 (or earlier, if they have a Protected Pension Age, which is under 55). As you have an AVC pot within the Fund, you are affected by these changes, which came into effect on 6 April 2015. You now have (or, once you reach the age of 50, your Protected Pension Age, you will have) more choice, which we explain below.

The greater flexibility now available represents a major change to the way pension savers can provide for themselves at retirement.

Now, how you choose to use your AVC pot is really up to you, and each option may have advantages and disadvantages, depending on your circumstances. Here we set out the options, and we recommend that you take the time to read this document carefully, and consider your plans for your retirement now that your AVC pot can be used in these different ways. We have included further sources of impartial information at the end of this update, to help you to do so.

Your choices in this Fund

When you come to use your AVC pot, your choices will be:

Putting your AVC pot towards your Pension Commencement Lump Sum (PCLS)

You can choose to put some or all of your AVC pot towards your tax-free PCLS under your main Fund benefits when you come to retirement. Until recently you would only have been allowed to take 25% of your AVC pot as part of your tax-free PCLS. If you choose this option, you won't need to use any or as much of your main Fund benefits for this purpose, leaving more of these benefits to be taken in the form of a pension for life.

Keeping your AVC pot separate and taking it all as a single lump sum

You can choose to take your whole AVC pot as a single lump sum when you want it. Up to 25% of it can be paid free of tax, and the rest will be taxed as income at your marginal rate.

Please note: If you have insufficient Lifetime Allowance remaining or benefit from certain forms of transitional protection under tax rules then there may be restrictions on your ability to take your benefits in this way. Also, taking your benefits in the form of a lump sum as described above will have consequences on the amount of tax relief you can receive when saving into other money purchase pension arrangements in future.

Keeping your AVC pot separate and transferring it

You can choose to transfer your AVC pot to another provider. This option might be helpful for members who have other defined contribution arrangements, which they want to group altogether, to enable them to keep track of their pension savings more easily or to take advantage of different flexibilities which are available through other pension arrangements. A drawdown facility which would allow you to take your AVC benefits in stages is not available within the Fund.

Keeping your AVC pot separate and using it to buy an annuity

You can, of course, still choose to use some or all of your AVC pot to buy an annuity. If you decide to do this, remember to shop around to get the best deal you can. You can find out more information about how to choose an annuity by visiting www.thepensionsadvisoryservice.org.uk.

What to do next

You have until your 75th birthday to decide what to do with your AVC pot, and in the meantime it will remain invested. To get an up-to-date valuation of your AVC pot and details of your choices under the Fund's rules, including your opportunity to transfer it to another provider, get in touch with the Fund Administrator. You can find their contact details below. As long as you have an AVC pot you will continue to be sent an annual statement of its value.

The information from the Fund Administrator may help you decide what to do with your AVC pot. Each choice may have advantages and disadvantages, depending on your circumstances. There are potential implications for each of the choices and so if you are thinking about taking any of the choices you should seek guidance as explained overleaf.



Getting more information

The Trustee will keep you informed of all your options, through communications like this one, through Pensions News and on the Fund website: www.icipensionfund.org.uk. You will automatically be sent details of your retirement options as you approach your normal retirement age. You can also get in touch with the Fund Administrator, especially if you are thinking of retiring before your normal retirement age.

Apart from information that you can get from the Trustee, there are several other places you can find information and guidance as you decide when you want to take your AVC pot and how you might use it.

Pension Wise

This is a service set up by the Government to offer those close to or over age 55 and retiring with Defined Contribution (DC) benefits (like your AVC pot) free information and a guidance session – through the internet, by telephone or face to face – to help them understand their choices. You can find out more, and register for your guidance session by visiting www.pensionwise.gov.uk.

The telephone guidance is given by The Pensions Advisory Service, while the face-to-face sessions are provided by Citizens Advice.

To find out more about Pension Wise, and to access the free information, visit www.pensionswise.gov.uk. Here you will also find out how you can prepare for your guidance session.

To book an appointment for a guidance session, call **0300 330 1001** between 8am and 10pm, Monday to Sunday. Calls cost the same as a normal call - if your calls are free, this call will also be free. Call **+44 203 733 3495** if you're phoning from outside the UK. You can also book a face-to-face guidance session by visiting your local Citizens Advice bureau.

Given the range of options now available to you, you should take up the offer of the free, impartial information and guidance provided by Pensions Wise and consider taking independent advice to help you decide which choice is most suitable.

The Pensions Advisory Service

This free service can give you information and guidance about planning for retirement, and help you decide how to use your AVC pot. Visit www.pensionsadvisoryservice.org.uk. It complements the Pension Wise service, and is especially useful for those not close to or over 55, who therefore cannot yet take advantage of the Pension Wise service.

The Money Advice Service

This service provides free and impartial general advice about all areas of financial planning, including pensions. Visit www.moneyadviceservice.org.uk.

Financial Advice

The services above can give you general help and information, but

for personalised and detailed advice, you should use the services of a financial adviser. You can find details of financial advisers in your area by visiting www.unbiased.co.uk.

When you are ready to take your AVC pot

Get in touch with the Fund Administrator to get an up-to-date valuation for your pot and a reminder of your options, and to start the process of taking your AVC pot. Remember: you need to be 50 or over (your Protected Pension Age) to take advantage of these new options.

If you have an AVC pot with Equitable Life, in their With-Profits fund, please note the following:

The long-term aim of Equitable Life has been to ensure the fair and prompt distribution of the assets held within the With-Profits fund to its policyholders. It does this by increasing the payments made to policy holders at the time they leave, a process known as the Capital Distribution.

Equitable Life has recently published its preliminary results for the year ended 31 December 2014, and has announced an increase of 10% to the Capital Distribution. The Capital Distribution is now 35% of the value of your With-Profits pot at 31 December 2014.

Equitable Life has told us that if you choose to put some or all of your With-Profits AVC pot towards your Pension Commencement Lump Sum, or choose to take all of your pot as cash, or choose to transfer your pot to another provider, to take advantage of other flexibilities, or to buy an annuity, the amount paid will be the greater of (a) the policy value plus the 35% Capital Distribution, and (b) the guaranteed value of the benefits. Your benefit statement from Equitable Life will show you whether or not you have a guaranteed value.

We understand from Equitable Life that, if you choose to switch to other funds available in the Fund, or transfer your With-Profits AVC pot to another provider for reasons other than taking your benefits flexibly, or continue to work for the Company after your Normal Retirement Date having drawn your Equitable Life benefits, the transfer value will include the 35% Capital Distribution.

Please note that although Equitable Life has made sure that they can afford the current level of the Capital Distribution now, this doesn't mean to say that it will never go down, because it might. It may be higher or lower at the time you choose to take your With-Profits pot. You can find out more about the Capital Distribution by going to www.equitable.co.uk.

Equitable Life reserves the right to apply a financial adjustment if you leave the fund other than on retirement or death. It is not applying this financial adjustment as at the date of this communication. You should also note that the Equitable Life With-Profits fund contains a 3.5% a year guaranteed investment return which will be lost if you leave the fund.

Contact details For more information about your AVC pot, please contact the Fund Administrator.

Email: ici@towerswatson.com

Phone: 0800 916 8021 From 09:00 - 17:00 Monday to Friday (Not bank holidays)

Write to: ICIPF, PO Box 545, Redhill, Surrey, RH1 1YX

Online: www.icipensionfund.org.uk