

June 2018



PENSION  
FUND

# How your AVCs can be used

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

Buying an annuity is not the only option available to you. There is flexibility in the way that pension savers can take their AVC savings. You have (or, once you reach the age of 50, your Protected Pension Age, you will have) choices, which we explain below.

How you choose to use your AVC pot is 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. 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 the tax-free PCLS you can take from your main Fund benefits when you come to retirement. 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 tax rate which will depend on the amount of income you receive from other sources.

**Please note:** If you have insufficient Lifetime Allowance remaining or you 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 separate 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.

For more information on future tax relief restrictions, please see details of the Money Purchase Annual Allowance (MPAA) at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk) and type **tax relief** in the search bar.

### Keeping your AVC pot separate and transferring it

You can choose to transfer your AVC pot to another registered pension scheme or pension 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 not available through the Fund but may be available from other pension arrangements. For example, 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, 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.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## What to do next

Until you decide what to do with your AVC pot it will remain invested. It is important to keep your investments under review and consider whether your investment choices are in keeping with how and when you plan to take your benefits.

A guide to all the investment options, their aims and charges can be found by visiting the Fund's website at [www.icipensionfund.org.uk/avcs](http://www.icipensionfund.org.uk/avcs)

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 overleaf. 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's website [www.icipensionfund.org.uk](http://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 and is available to offer those close to or over age 50 and retiring with Defined Contribution (DC) benefits (like your AVC pot) free and impartial information and guidance – through the internet, by telephone or face to face – to help them understand their choices.

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.pensionwise.gov.uk](http://www.pensionwise.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 0800 138 3944 between 8am and 8pm, Monday to Friday. Calls are free from UK landlines and mobiles.

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 Pension 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](http://www.pensionsadvisoryservice.org.uk).

It complements the Pension Wise service, and is especially useful for those not close to or over 50, 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](http://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.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser](http://www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser)

## When you are ready to take your AVC pot

Get in touch with the Fund Administrator to get an up-to-date valuation of your AVC pot and a reminder of your options, and, if you decide it is appropriate for you, to start the process of taking your AVC pot.

## 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 seeking to increase the payments made to policyholders at the time they leave, a process known as the Capital Distribution.

Equitable Life has recently announced that it is determined to distribute greater amounts of capital to policyholders and expects to be able to provide an update in late June following the 2018 Annual General Meeting on 31 May 2018.

In the meantime, the Capital distribution rate of 35% of the value of your policy as at 31 December 2014 will remain.

Your benefit statement contains details of two policy values, depending on how and when you take your benefits; these are referred to as your 'Value of guaranteed benefits' and the 'Value available for transfer'. Equitable Life has told us that if you choose to take some or all of your With-Profits AVC pot as cash, or choose to transfer your pot to another provider at retirement (to take advantage of the flexibilities), or choose to buy an annuity, the amount you will receive will be the greater of the 'Value of guaranteed benefits' or 'Value available for transfer' (which includes your share of the capital distribution).

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 then you will receive the 'Value available for transfer' as shown on your benefit statement.

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.

You should refer to the Equitable Life website for further updates on the Capital Distribution policy before making any decisions in respect of drawing your with-profits policy: [www.equitable.co.uk](http://www.equitable.co.uk)

## Contact details

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

**Email:** [ici@willistowerswatson.com](mailto:ici@willistowerswatson.com)

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

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

**Online:** [www.icipensionfund.org.uk](http://www.icipensionfund.org.uk)

Every effort has been made to ensure that the information in this document is accurate as at the date of its issuance. If there is any difference between this information and the Fund's Trust Deed and Rules, then the Trust Deed and Rules take priority. Also, if there is any difference between the Trust Deed and Rules and overriding pension legislation or regulations, the pension or tax legislation or regulations take priority. Finally, remember that the Trust Deed and Rules can be amended at any time. June 2018.