

Money Purchase Additional Voluntary Contributions Factsheet

Introduction

A Money Purchase AVC (MPAVC) is an arrangement for making additional contributions to build up a separate retirement fund. The contributions are invested and then used to buy an extra pension either at retirement, or later. A MPAVC will not increase the benefits paid from the main HSC Pension Scheme.

Separate contributions can also be paid to increase the lump sum dependants will receive from the main Scheme when a member dies before retirement.

A Money Purchase 'Group' AVC is available through the HSC Pension Scheme. MPAVC arrangements are also available on a "Free-standing" basis.

NHS MPAVC Providers

The HSC Money Purchase AVC arrangements are part of the Scheme but run on our behalf by a chosen provider. They are available to members of the main HSC Pension Scheme and our chosen providers are:

Standard Life

Group Pensions Public Sector
Standard Life House
30 Lothian Road
Edinburgh
EH1 0WT

www.standardlife.co.uk/nhs

Investment Funds

The HSC AVC provider offers a range of different investment funds. Contributions can be made to one or more of the available funds and can also be switched between funds. Investment returns help the fund to grow but many funds are linked to share prices so the value can rise and fall as stock markets and share values change.

Because the additional contributions are invested with an external provider, the HSC Pension Scheme **cannot** guarantee the value of the fund or the amount of the pension it will produce. Once in payment, the Scheme **will** guarantee payment of any pension received through HSC arrangements.

We have negotiated special HSC terms for these arrangements, which are reviewed regularly and there are no commission charges.

There is no set cost, so individuals choose how much they would like to contribute and can usually change or stop their payments. Contributions are taken from pay and sent direct to the AVC provider. Lump sum contributions can also be made at any time.

HM Revenue and Customs (HMRC) allow tax relief on pension contributions up to 100% of relevant UK earnings for the tax year.

Benefits

Benefits may either be taken at the same time as the main scheme benefits or deferred to a later date. They must however be taken before reaching age 75.

There is a choice of two benefit options:

- Up to 25% of the AVC fund value can be taken as a tax-free lump sum and the rest must be used to buy an extra pension; or
- All of the AVC fund must be used to buy an extra pension.

A lump sum taken from the AVC fund is in addition to any main Scheme lump sum.

Free-standing providers

These are Money Purchase arrangements that are not connected to the NHS Scheme in any way. Available from banks and insurance companies, they work in much the same way as the HSC Money Purchase AVCs.

When considering a Free-Standing arrangement, it is worth remembering that commission may be deducted from the contributions before they are invested and there are no special HSC terms. The HSC Scheme **cannot** guarantee payment of a pension received through a free-standing arrangement.

Anyone interested in this type of arrangement should seek independent financial advice and then contact the bank or insurance company of their choice.