

Key Features

of the Local Authority Additional
Voluntary Contributions (AVC) Plan

Important information you need to read

The Financial Services Authority is the independent financial services regulator. It requires us, Scottish Widows, to give you this important information to help you to decide whether our Additional Voluntary Contributions Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

These Key Features should be read with the enclosed Example Illustrations.

Its aims

- To build up a sum of money in a tax-efficient way, that will be used to provide you with an income when you retire in addition to that provided by your employer's pension scheme.

Your commitment

- To make the payments you agree to pay.



Risks

- The value of your plan can go down as well as up.
- What you'll get back isn't guaranteed. It would be lower than illustrated if, for example:
 - you don't make all the payments.
 - investment performance is lower.
 - the cost of buying your pension is higher.
 - the charges are higher.
 - tax rules change.
- Your plan can invest in a range of investment funds that carry different types and levels of risk. For details of the specific risks that apply to each investment fund, please see the "Local Authority AVC Employee Pack" and, if applicable, "Your guide to with-profits" booklet. You should read these guides before making any investment decisions.
- In certain circumstances, there may be a delay if you ask to transfer the value of your plan or switch between investment funds.
- If you decide to cancel within 30 days, we may give back less than was paid in.
- If you transfer from another scheme, you could lose any guaranteed benefits and may not be able to return to it.

Questions & answers

What payments can be made to my plan?

- Monthly, yearly and single payments can be made by you, provided you're a UK resident or a UK taxpayer. Other individuals can also make payments on your behalf and we may also be able to accept transfer payments from other pension plans. Your employer can also make payments to your plan and further details of this are included within your Member Joining Guide.
- You can make regular payments to your plan. These will be collected by your employer from your pay and forwarded to Scottish Widows, normally at the same time as any contributions you make to your employer's pension scheme. Minimum and maximum payments may apply and can change from time to time. Please speak to your Scheme Administrator for further details.
- Subject to your employer's agreement, your plan can also accept single and transfer payments. Please speak to your Scheme Administrator for further details.
- You can change the amount of regular payments at any time. If you stop or decrease your payments, it will reduce what you might get back. You can ask us for further details.
- Before deciding to make any payments to this plan, you should speak to your financial adviser regarding its suitability.

Where are the payments invested?

- Payments are used to buy units in the investment funds you choose. We work out the value of your plan based on the total number of units you have in each fund. The value of your plan can fall as well as rise.
- We offer a range of unit-linked investment funds, and a Unitised With-Profits Fund. You will be told which of these funds you can choose from.
- You can find details of the aims, investments and risks of each fund in the "Local Authority AVC Employee Pack" and, if applicable, "Your guide to with-profits" booklet.

- You can invest in up to 10 funds at any one time. You can switch in and out of the funds to change the mix of investments, though there may be a delay in certain circumstances. Conditions and a charge for doing this may apply.
- It's possible to set up regular switching in advance, and to automatically change where any future payments are invested.
- We may change the selection of funds that we make available and restrictions can apply.

Jargon buster

Units

'Units' are like shares of the fund.

For unit-linked funds, the value of each unit depends on the value of the investments held by the fund, and the number of units in it.

For our Unitised With-Profits Fund, the value of units isn't directly related to the value of the fund itself, but depends instead on the bonuses and reductions that we decide. For example, the value can fall if we apply Market Value Reductions, although the fund offers guarantees at the retirement date shown in your plan documents.

What choices will I have when I retire?

- You can normally start taking benefits from your plan from age 65, however you can choose to retire from age 55 with your employer's consent, or from age 60 without your employer's consent. In certain circumstances, you may be able to take benefits earlier, for example if you're in ill health.
- The value of your plan will normally be used to provide a taxable income by buying an annuity.
- Speak to your Scheme Administrator for details of any other options that you may have.

Jargon buster

Annuity

This provides an income for life, the amount of which depends on circumstances when it's bought including:

- interest rates.
- your age.
- your sex.
- how long people are expected to live.

You may be able to choose from different types of annuities, speak to your Scheme Administrator for further details. The annuity can be bought from us, or from another provider.

- You can normally take up to 25% of the plan value as a tax-free cash sum, in return for a smaller income. In certain circumstances, it may be possible to take more of the plan value as cash, possibly up to 100%. Please ask your Scheme Administrator for further details.
- You must use the value of your plan to provide an income by age 75 at the latest. You may be able to defer taking your pension by transferring out of the scheme before age 75.
- Your illustration will give you an idea of what you might get back from your plan. Remember that the effect of inflation will reduce the future buying power of what you get back.

Jargon buster

Inflation

The effect of inflation reduces the value of money over time, as the following example illustrates:

	The future value of £1,000, assuming inflation is 3% each year
Today	£1,000
After 10 years	£744
After 20 years	£553

What happens to the plan if I die before I retire?

- The value of your plan will be paid to your Scheme Administrator, who will use it to provide benefits for your dependants and/or beneficiaries.
- The value will normally be paid as a lump sum and/or used to buy a dependant's income for your husband, wife, registered civil partner or other dependant.
- Speak to your Scheme Administrator for further details.

What happens if I leave my employer's service?

- Your regular payments will stop.
- You can normally choose to keep the value of the plan invested, or to transfer its value to another pension arrangement.
- Your Scheme Administrator will provide full details of the options available to you.

What are the charges?

- We charge for managing and investing your plan. We take our charges regularly out of the value of your plan.
- Your illustration shows our current charges, and how they could affect what you might get back.
- We can change, at any time, most of the charges we make. We may do this if our costs turn out to be unexpectedly high, compared to our charges.

Charges could increase if:

- a tax rule or law change increases our costs or decreases our income from charges;
 - our staff or overhead costs are more than we anticipate; or
 - our income from charges is less than we anticipate.
- If you've invested in fund(s) managed by other fund managers, they have the power to change any charges that they make.

What about tax?

- Tax relief is available on the regular payments you make to your plan. You do not have to do anything to claim this, as the payments are deducted from your pay before tax is calculated. This automatically reduces the tax you pay.
- Each year, relief is available on payments which don't exceed your relevant UK earnings.
- You won't receive tax relief on any transfer payments.
- The income you buy from the proceeds of this plan will be taxed in payment. If you decide to take a cash sum when you retire, it's normally tax-free. See 'What choices will I have when I retire?' for further details.
- If you die before you retire, no inheritance tax will normally be payable on the value of your plan. However, any dependants' income will be liable to income tax.
- Our pension investment funds are generally free of UK income and capital gains tax. However, we can't reclaim tax deducted at source from the dividends of UK company shares.
- Tax charges will normally apply if the Government's 'Annual Allowance' or 'Lifetime Allowance' is exceeded. Please see the enclosed illustration for further details.
- The value of the tax benefits of your plan depend on your individual circumstances. Your circumstances and tax rules may change in the future.

Jargon buster

Relevant UK earnings

This means employment income, income derived from carrying on a trade, profession or vocation, and patent income.

Can I change my mind?

- Yes, you can change your mind and cancel your plan within 30 days of receiving notification that your policy has commenced.

If I do want to cancel, what should I do?

- To cancel your policy you should contact us either in writing or by telephone. See 'How to contact us' for all our contact details. We'll need your personal details together with the policy number of your plan. If you decide to cancel in writing, your letter should be clearly headed 'Cancellation Notice'.

Will I lose anything by cancelling?

- If you tell us you want to cancel the plan within 30 days of receiving notification that your plan has commenced, we'll return any payments you've made. For single and transfer payments, we may deduct any fall in the value of these payments.
- For transfer payments, it may not be possible to return the value of the payment received to your previous pension plan and you may have to take out a new plan.

What are the consequences of keeping my plan?

- If you don't cancel your plan within 30 days of receiving notification that your plan has commenced, your plan will continue and we'll collect the payments you've agreed to make.

How to contact us

Address: Scottish Widows plc
15 Dalkeith Road
Edinburgh
EH16 5BU

Telephone: 0131 655 6000 during the following times:

Monday to Friday 8.00am – 6.00pm
Saturday 9.00am – 12.30pm

We may record and monitor calls to help us to improve our service.

Fax number: 0131 662 4053

Website: www.scottishwidows.co.uk

- We will communicate with you in English.

Further information

How to complain

If you ever need to complain, please contact us. If you're not satisfied with our response, you can complain to:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Tel: 0845 080 1800

Email: enquiries@financial-ombudsman.org.uk

Website: www.financial-ombudsman.org.uk

- Complaining to the Ombudsman won't affect your legal rights.

Terms and conditions

- These Key Features give a summary of the Scottish Widows Local Authority Additional Voluntary Contributions Plan. They don't include all the definitions, exclusions, terms and conditions.
- Further details of the benefits, charges and conditions are given in the Policy Provisions, which are available from us on request.
- We have the right to change some of the terms and conditions at any time. We'll confirm in writing any changes which affect your plan.

Law

- For legal purposes the law of England and Wales, Scotland or Northern Ireland will apply, normally depending on the location of the registered address of your employer.
- This information represents Scottish Widows' interpretation of the law and HM Revenue and Customs practices as at date of publication. Changes to tax rules and other laws may affect your contract terms.

Compensation

- We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation if we become insolvent and can't meet our obligations. Most insurance business is covered for 90% of the value of the claim. More information about compensation arrangements is available from the Financial Services Compensation Scheme, who can be contacted on **020 7892 7300** or via their website at www.fscs.org.uk



SCOTTISH WIDOWS

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