



# Additional Voluntary Contributions

Local Authority  
Employee Pack

Putting the personal touch  
into Corporate Pensions





# Additional Voluntary Contributions

It might seem a long way off just now, but what do you see yourself doing in retirement? Travelling... indulging in your hobbies, or maybe just taking a well-earned rest? Clearly, whatever you decide to do, it's going to cost money. And a lot more than the Basic State Pension is likely to provide.

That's why you've already taken things into your own hands by joining your employer's main pension scheme. Have you considered though whether even that will be enough, on its own, to secure the kind of retirement you want?

A very simple and effective way to try and make up for any potential shortfall is to 'top-up' your existing pension arrangements with Additional Voluntary Contributions (AVCs). And the sooner you start, the more your pension fund can benefit from potential growth. Your employer has chosen a company you'll know – Scottish Widows, who've been looking after the financial well-being of people like you for more than 190 years.

## What's on offer?

### How the scheme works

A pension is a way of saving for retirement and the money, once invested, cannot be accessed until you retire. The normal retirement age for the scheme is 65, but you can elect to retire from age 60 onwards. You may be able to retire from age 55, but only if your employer agrees.

The Local Authority AVC Scheme offers you:

- a simple and straightforward way to help you plan for increased financial security in retirement
- tax relief on your AVC payments
- the option to take a tax-free lump sum on retirement
- the option to provide your dependants with a regular income should you die before reaching retirement
- the opportunity to start 'topping-up' your existing pension arrangements with as little as £20\* a month gross (collected from your pay before tax)
- flexibility to stop or change your payments whenever you like
- wide choice of investment funds
- yearly statements to keep you up-to-date

Although AVCs are arranged under a Group policy by your Local Government Pension Scheme, each individual member is allocated their own AVC pension account. You make payments regularly, which are invested in the Scheme to provide you with an additional pension when you retire.

You can normally take up to 25% of the plan value as cash, currently tax-free, 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%. Contact your Scheme Administrator 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.

\* The minimum amount is normally £20 per month. Contact your Scheme Administrator for further details.

Because it's a 'money purchase' type AVC, the value of your retirement benefits will depend on a number of things, such as how much you've paid in, how the underlying investments have performed, your retirement age, our charges and the cost of buying your pension when you retire. The value of an investment is not guaranteed and can go up or down depending upon investment performance (and currency exchange rates where a fund invests overseas).

**No advice has been given and if you have any queries as to whether this product is suitable for you, please contact your financial adviser.**

# Guiding you through your questions

## Is this the only way of topping up my Local Government Pension Scheme (LGPS) benefits?

No. You can contribute to a Free Standing AVC, Personal Pension or Stakeholder Pension in your own name. However, because your employer undertakes some of the administration on our behalf, this plan is more likely to offer you more favourable terms than you'd otherwise receive.

In addition, the LGPS offers other options for members:

- If you joined the LGPS before 1 April 2008 and are buying 'added years' then you can continue those contributions and/or you can start paying additional regular contributions (ARCs) to buy 'added pension' from 1 April 2008.
- If you joined the LGPS on or after 1 April 2008, you have the option of paying additional regular contributions (ARCs) to the LGPS to buy 'added pension' in multiples of £250 per annum (up to a maximum £5,000 p.a.).

Contact your Scheme Administrator for further details.

## How are the AVC payments made?

These will be deducted from your salary and paid directly to Scottish Widows. Your employer will ensure that any payments you make are paid over to Scottish Widows within statutory timescales for investment in the fund(s). Your first payment will normally be collected in the month we receive your application or the following month.

## Can I choose when to retire?

Yes. The AVC is governed by the same rules as your main LGPS and has the same normal retirement age of 65. Early retirement is available but employer's consent may be needed. Buying your pension early is likely to provide a lower income that would have been available from the normal retirement age.

If you carry on working after age 65 and continue to pay into the LGPS, you can carry on paying AVCs to build up further benefits.

If you retire at or after age 65 you can, if you wish, defer drawing your pension but you must draw it by age 75. You may be able to defer taking your pension by transferring out of the scheme before age 75.

You have a number of options as to what can be done with your AVCs. Contact your Scheme Administrator for further details.

## What happens if I leave service or withdraw from the LGPS?

Your regular payments will stop, but you can normally choose to keep the value of your plan invested, or transfer its value to another pension arrangement. If you wish to transfer your benefits you must also transfer your benefits under the main scheme at the same time.

If you leave service with less than three months total membership of the scheme, you may be able to claim a refund of your payments less tax.

Contact your Scheme Administrator for further details.

## What happens to my AVCs if I die?

If you die before your retirement the value of your AVC fund will be paid to your Scheme Administrator. The value of your plan 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.

Contact your Scheme Administrator for further details.

# Fund information

The decision concerning which fund or funds to invest in could be one of the most important you will make.

With a Scottish Widows AVC you have a range of funds to suit your changing lifestyle so you can select funds to reflect your goals. And you can currently switch between funds whenever you like, free of charge.

Scottish Widows' unit-linked funds aim to provide long-term growth in the price of units. This is generated by a combination of capital growth as well as income that is added to the fund.

A proportion of each unit-linked fund may be held in cash to provide liquidity or while awaiting suitable investments. Scottish Widows' unit-linked funds can invest in other unit-linked funds or in collective investment schemes (for example Open Ended Investment Companies (OEICs) or unit trusts) to achieve exposure to meet the stated fund aims.

The individual aims of the Scottish Widows Pension funds currently available are shown under the heading "Which funds may suit you best".

Full terms and conditions are available on request from Scottish Widows. Charges, terms and limits may change.

The value of an investment is not guaranteed and can go up and down depending on investment performance (and currency exchange rates where a fund invests overseas).

You can invest in up to 10 funds at any time. There may be restrictions on the amount you can invest in certain funds. Please contact us for details of any restrictions that apply. We may change the funds we make available.

We reserve the right to delay a request to sell your units in certain circumstances. The period of delay will not be more than six months if the units to be cancelled include units which relate to a fund which holds directly or indirectly assets in the form of real or heritable property. It will not be more than one month in all other cases. This may happen in exceptional circumstances where, for example, there is an unusually high demand for units to be cashed in. For more details please see the Policy Provisions for your investment with us.

## Active or passive fund management?

### Active management

Active fund managers seek to add value by aiming to outperform the stockmarket or chosen benchmark. They aim to achieve this by making strategic decisions (buying, selling or holding) on both the types of assets and the specific asset itself.

### Passive management

Unlike an active approach, passive investment managers do not make decisions on markets and stock selection, or form views on market movements. They simply aim to match their given benchmarks.

Examples of passive management include index tracking funds (for instance the Financial Times Stock Exchange 100 Index) or where the aim is to follow a peer group or other benchmark's neutral position to provide the investment mix of the fund.

## Investment approaches at a glance

While there are a number of ways to evaluate risk, the following definitions are used by Scottish Widows to help you decide on the appropriate investment approach for you.

Please be aware that we review the investment approach definitions and the investment approach for the funds regularly, so these may change. You can find information on current investment approaches and notification of any changes at [www.scottishwidows.co.uk/investmentapproaches](http://www.scottishwidows.co.uk/investmentapproaches)

SECURE	CAUTIOUS	BALANCED	PROGRESSIVE	ADVENTUROUS	SPECIALIST
These investments provide safety to the amount invested and can be expected to offer relatively low growth over the medium to long-term. They cannot fall in actual value, but can fall in 'real' value due to the effects of inflation.	These investments are expected to have a relatively modest risk to the capital value and/or income. They have the potential to provide income, and/or, over the medium to long-term, relatively modest capital growth. The capital value may fluctuate, although some products may offer some guarantee of capital protection.	These investments carry a risk of loss to capital value but have the potential for capital growth and/or income over the medium to long-term. Typically they do not have any guarantees and will fluctuate in capital value.	These investments are expected to have a relatively significant risk of loss to capital value, but with the potential of relatively more capital growth over the medium to long-term. They do not offer any guarantees and will fluctuate in capital value.	These investments carry a relatively much higher risk of capital loss but with the potential for relatively higher capital growth over the medium to long-term. They may be subject to a considerable level of fluctuation in capital value. They do not offer any guarantees.	These investments carry a very high risk of capital loss, but with the potential for a higher return over the long-term. They are very volatile and are only suitable for clients who can afford to, and are prepared to, risk the entire capital value. They do not offer any guarantees.



**INVESTMENT PERIODS:** WE CATEGORISE INVESTMENT PERIODS AS FOLLOWS:

**SHORT-TERM:** UP TO 5 YEARS, **MEDIUM-TERM:** BETWEEN 5 AND 10 YEARS,

**LONG-TERM:** OVER 10 YEARS.

## Scottish Widows passively managed pension funds

Investment approach	Fund name	ABI sector
Progressive	Scottish Widows Consensus Fund	Mixed Investment 40% - 85% Shares
Adventurous	SW SSgA UK Equity Index Fund	UK All Companies

## Scottish Widows actively managed pension funds

Investment approach	Fund name	ABI sector
Cautious	Scottish Widows Cash Fund	Money Market
	Scottish Widows Fixed Interest Fund	UK Gilts
Balanced	Scottish Widows Indexed Stock Fund	UK Index-Linked Gilts
	Scottish Widows SafetyPlus® Fund	Protected / Guaranteed
	Scottish Widows Unitised With-Profits Fund	Unclassified
Progressive	Scottish Widows Mixed Fund	Mixed Investment 40% - 85% Shares
	Scottish Widows Property Fund	UK Direct Property
Adventurous	Scottish Widows Environmental Fund	UK All Companies
	Scottish Widows European Fund	Europe excluding UK Equities
	Scottish Widows Global Equity Fund	Global Equities
	Scottish Widows International Fund	Global Equities
	Scottish Widows North American Fund	North America Equities
	Scottish Widows UK Equity Fund	UK All Companies
Specialist	Scottish Widows Japanese Fund	Japan Equities

## Fund risks

**Where any of these general risks apply to a fund, this will be indicated beside the Aims of the relevant fund in the next section. This will also show specific risks associated with each fund.**

(EQ)

This fund invests in company shares (often referred to as 'equities'). Investing in company shares generally has the potential for higher capital growth over the longer term than investing in say, corporate bonds and other fixed interest securities. However there might be considerable fluctuations in equity prices and there is a greater risk that the value of the investment will fall.

(DV)

This fund uses derivatives and forward transactions for specific investment purposes, as well as for hedging and other efficient portfolio management purposes. Their use may lead to higher volatility.

(FI)

Some of the securities in which this fund invests might default or their credit rating might fall. The value of those investments will usually fall should an issuer default or receive a reduced credit rating. Fluctuations in interest rates are likely to affect the value of the securities held by the fund. If long-term interest rates rise, the value of the units is likely to fall and vice versa.

(FIG)

This fund may invest more than 35% in government or public securities issued by a single issuer. There could be a risk, for example, that they can't repay the amount borrowed. If they don't repay, the value of the fund will fall.

(HY)

This fund invests in high yielding fixed interest securities, which carry an increased risk of default and, for which, there is a higher risk that the issuer's credit rating may fall. The value of these investments will usually fall should an issuer default or receive a reduced credit rating or should the likelihood of these events increase.

(OS)

Exchange rate changes might cause the value of any overseas investment to go up or down.

(SP)

This fund has a select portfolio, which has a limited number of stocks. By investing in a select portfolio there might be greater fluctuations in the value of the units than with a wider portfolio.

(EM)

This fund invests in emerging markets so might invest in stockmarkets which are generally less well regulated than those in the UK. This may result in a greater risk that the value of the units might go down. The investments in these markets might also be bought and sold infrequently therefore resulting in large changes in their prices.

(SC)

This fund invests in smaller companies whose shares tend to be bought and sold less frequently than larger companies. There may be large changes in the prices of their shares and their value could fall by large amounts. The price variations of smaller companies might be greater than those of large companies.

(PY)

This fund invests in property and land. This can be difficult to sell, so it may not be possible to cash in the investment when you want to. We may have to delay acting on your instructions to sell the investment. The value of property is generally a matter of a valuer's opinion rather than fact and values can go up or down. Property transactions tend to be larger and more complex than for other asset classes. As a result the proportion of cash held while awaiting suitable investment opportunities could be greater than for other funds.

(PYS)

Property is a less liquid asset than other assets such as fixed interest securities or equities and values could be affected if properties need to be sold in a short timescale. Property valuation is generally a matter of judgement by an independent valuer rather than fact and values can go up or down.

# Which funds may suit you best?

## Scottish Widows passively managed pension funds



Fund	Fund Aim	Fund Risks
<b>Scottish Widows Consensus Fund</b>	The fund aims to achieve long-term growth by investing in a balanced portfolio of UK and overseas company shares, fixed interest stocks, index-linked stocks and cash deposits. Investment in these assets is made through a range of index-tracking funds, or where appropriate, through direct investment, again on an index-tracking basis. The percentage of the fund invested in each asset class will be based on the average amount invested in each class in accordance with a benchmark of UK balanced funds.	EQ FI OS
<b>SW SSgA UK Equity Index Fund</b>	The fund aims to achieve long-term growth by investing primarily in shares of companies listed in the FTSE All Share Index. The fund invests primarily in company shares. Investment is solely through the SSgA UK Equity Index Fund and is made on an index-tracking basis.	EQ

## Scottish Widows actively managed pension funds

Fund	Fund Aim	Fund Risks
<b>Scottish Widows Cash Fund</b>	The fund aims to provide long-term growth consistent with high levels of capital security by investing mainly in short-term securities.	<b>Specific risks</b> The fund can invest in high-quality, mostly short-term debt instruments such as fixed deposits, certificates of deposit, commercial paper and floating rate notes. It carries a relatively modest risk to capital.
<b>Scottish Widows Environmental Fund</b>	The fund aims to achieve long-term growth by investing in companies that demonstrate a positive commitment to the protection and preservation of the natural environment. Investment will be mainly in UK company shares.	EQ
<b>Scottish Widows European Fund</b>	The fund aims to achieve long-term growth by investing mainly in continental European company shares.	EQ OS
<b>Scottish Widows Fixed Interest Fund</b>	The fund aims to achieve long-term growth by investing mainly in UK fixed interest securities. The fund may also invest in overseas fixed interest securities.	FI FIG OS
<b>Scottish Widows Global Equity Fund</b>	The fund aims to achieve long-term growth by investing mainly in company shares in any economic sector in any geographical area including the UK.	EQ OS

## Scottish Widows actively managed pension funds

Fund	Fund Aim	Fund Risks
<b>Scottish Widows Indexed Stock Fund</b>	The fund aims to achieve long-term growth by investing mainly in UK index-linked securities.	(FI) (FIG)
<b>Scottish Widows International Fund</b>	The fund aims to achieve long-term growth by investing mainly in overseas company shares. The fund may invest in some UK-based companies with international interests. The fund can also invest in fixed interest securities.	(EQ) (FI) (OS)
<b>Scottish Widows Japanese Fund</b>	The fund aims to achieve long-term growth by investing mainly in Japanese company shares.	(EQ) (OS)
<b>Scottish Widows Mixed Fund</b>	The fund aims to achieve long-term growth by investing in a mixed portfolio of UK and overseas company shares, fixed interest stocks, index-linked stocks, property and cash deposits. The fund is likely to invest mainly in company shares and property.	(EQ) (FI) (OS)
<b>Scottish Widows North American Fund</b>	The fund aims to achieve long-term growth by investing mainly in North American company shares.	(EQ) (OS)
<b>Scottish Widows Property Fund</b>	The fund aims to achieve long-term growth by investing mainly in high-quality freehold and long leasehold commercial and industrial properties. Property transactions tend to be larger and more complex than for other asset classes. As a result the proportion of cash held while awaiting suitable investment opportunities could be greater than for other funds.	(PY)

Fund	Fund Aim	Fund Risks
<p><b>Scottish Widows SafetyPlus® Fund</b></p>	<p>To give long-term capital growth, normally by investing primarily in shares of companies included in the Financial Times Stock Exchange 100 Index. The fund may move away from the policy of being primarily invested in shares when market conditions indicate that a better return is expected to be achieved by being invested in cash, near cash and/or deposits, and with or without options.</p> <p>To give a level of protection against major stockmarket falls through the use of a Safety Price. By 'Safety Price' we mean the lowest possible selling price which is guaranteed not to fall for a period of time, the 'Safety Period', normally 12 months. The Safety Price is set at 95% of the share price at the start of each Safety Period.</p>	<p></p> <p><b>Specific risks</b></p> <p>The value of units in the SafetyPlus® Fund may change on a daily basis and may fall as well as rise.</p> <p>The SafetyPlus® Fund is not a guaranteed fund, although it does offer a limited risk as well as growth potential.</p> <p>The techniques we use to provide the Safety Price incur a cost. The effect of this cost is that, in the long-term, growth is likely to be lower than would be achieved without the protection of the Safety Price. The Safety Price is guaranteed currently by a small number of major financial institutions and is dependent on each of these third parties meeting its obligations.</p> <p>The Safety Price is normally reset every 12 months at 95% of the unit price at the time. This new Safety Price may be set at a lower level than the previous Safety Price.</p> <p>To offer the Safety Price we need access to specific types of investment. If, in future, we can't get enough of these investment types, we won't be able to offer a Safety Price.</p>
<p><b>Scottish Widows UK Equity Fund</b></p>	<p>The fund aims to achieve long-term growth by investing mainly in UK company shares.</p>	<p></p>
<p><b>Scottish Widows Unitised With-Profits Fund</b></p>	<p>The fund invests in a balanced portfolio of UK and overseas shares, fixed interest and index-linked stocks, property and, where appropriate, cash deposits. However, the value of the units isn't directly linked to the market value of those investments. Instead, it depends on the bonuses and (in some circumstances) Market Value Reductions that Scottish Widows decides.</p>	<p><b>Specific risks</b></p> <p>Please note that the value of the units isn't directly linked to the market value of the investments. What you get back from investing in this fund depends mainly on the investment profits and losses of the fund and the decisions we make about their distribution, and is only guaranteed in certain circumstances. If units are cashed in at other times, we may apply Market Value Reductions. You could get back less than you invested. Please note that future bonus rates are not guaranteed.</p> <p>For more information on this fund, please see the With-Profits guide.</p>

## Total Annual Fund Charge

In return for setting up and administering the AVC we deduct a Total Annual Fund Charge. Details of these charges are shown in the Charges Sheet.

The fund charge applies to all our investment funds excluding the Unitised With-Profits Fund. There is no explicit charge in the Unitised With-Profits Fund – however, there will be an implicit charge, which we expect to be of about the same size, reflected in the bonus rates and market value reductions we decide.

## Investment of your payments

100% of each payment is used to buy units in your chosen funds.

## Unit prices

The unit prices are normally calculated each working day.

The price currently used to purchase your units is normally the price for the day that your payment is due to be received by us. But, if payment is delayed, we reserve the right to allocate units at the price in force when the payment is received.

## Switching between funds

You can currently switch between all the different funds that we offer without any charges, although there may be restrictions on switching into the With-Profits fund.

## Payments

The minimum regular payments are normally £20 and you can choose to increase or reduce the amount of payment you pay at any time or even cease payments altogether.

## Next steps

1. Go to your Local Authority AVC website at **[www.scottishwidows.co.uk/nottinghamshire](http://www.scottishwidows.co.uk/nottinghamshire)** where you can view supporting tools and information:

**Key Features**

**Example Illustrations**

**Charges Sheet**

**Important notes for application**

**Key facts about our services and costs**

The Key Features and Example Illustrations provide important information about your company pension. Please read these documents before joining and save or print a copy of each file for your own records.

**Your guide to with profits**

If you are considering investing in the Scottish Widows Unitised With-Profits Fund, more information about this fund can be found in this guide.

**Pension Planner**

Use this to show how much you might get when you retire.

If you are unable to view these documents online, or would prefer a paper copy of these documents, please call 0845 600 0481\*.

2. Decide if you want to pay AVCs.
3. Decide how much you want to pay in.
4. Choose your investment funds.
5. Complete your application form and return it to us in the pre-paid envelope provided.
6. We contact your employer and they arrange to collect your AVCs from your salary.
7. We welcome you as a member of the scheme.

For more information about your Local Authority AVC, please contact our dedicated helpline on **0845 600 0481\***

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



**Important notes**

Full terms and conditions are available on request from Scottish Widows.

Charges, terms and limits may change.

SafetyPlus® is a registered trademark of Scottish Widows plc.



**SCOTTISH WIDOWS**

*official pensions and investment provider*



As part of the Lloyds Banking Group, Scottish Widows is proud to be an Official Provider of the London 2012 Olympic and Paralympic Games.

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Scottish Widows plc is authorised and regulated by the Financial Services Authority. Our FSA Register number is 191517.

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