



home

search A-Z

who's who

[LV= HEARTBEAT](#) > [My LV=](#) > [My Rewards x](#) > [Pension](#) > [Defined Benefit new](#) > Additional Voluntary Contribution Scheme



## PENSIONS

### Contents

Additional Voluntary Contributions - My LV= AVC Plan  
Summary of Key Features  
AVC Plan Features  
Joining the AVC Plan  
Investing  
Fund Choices

## Additional Voluntary Contributions - My LV= AVC Plan

The ' [My LV= AVC Plan](#) ' booklet is available online however, if you'd like a paper copy of this please let us know by emailing [mypension@lv.com](mailto:mypension@lv.com).

[Back to Top](#)

### Summary of Key Features

- You can make additional savings towards your retirement by paying AVCs.
- You have the flexibility to choose where your money is invested from the seven funds offered.
- There's a choice of three lifestyle options with different levels of risk and return.
- You can pay regular fixed amounts and/or single contributions.
- Your AVC fund can be used to give you extra pension or taken as a tax-free lump sum (subject to certain HMRC allowances).

[Back to Top](#)

### AVC Plan Features

The AVC plan offers a range of funds which are designed to meet your needs, whatever your age, situation or stage in your career with LV=. We've appointed Friends Life to provide this fund range.

#### What happens when I retire?

Your AVC fund can be used at retirement to give you extra pension or to take as a tax-free lump sum. We'll take into account the value of your AVC fund together with the value of any AVCs you may have previously paid into the LV= Employee Pension Scheme AVC (before its closure on 31 December 2010) when working out your pension benefits. You'll be able to decide how you wish to take your AVC fund when you retire.

#### What happens if I leave LV=?

If you have less than two years' membership in the LV= Employee Pension Scheme you'll be able to have a refund of your contributions or you can chose to have a transfer value paid to another pension provider. If you take a refund, you'll receive a refund of your AVC fund as well - less tax (currently 20%). If you chose to transfer, your AVC fund will be included as part of that payment.

If you leave with more than two years' membership in the LV= Employee Pension Scheme your pension will be worked out at that date and remain in the Scheme. This means your AVC fund will remain invested until you retire, when it will be used to provide additional pension and/or a tax-free cash sum.

You also have the option to transfer the pension you've built with LV=. If you do transfer your pension to your new employer's pension scheme, or to a personal pension, then your AVCs will also be transferred.

#### What happens if I die before I retire?

If you die whilst you're an LV= employee, or after you've left us, your AVC fund will be

paid out as a tax-free lump sum. The person(s) who receive this lump sum will be determined by the Trustees who will take account of what you have told us on your [Expression of Wish form](#). As you can see, it's very important that you keep this information up to date.

If the payment goes to your surviving spouse, Civil Partner or Dependent they can use this to buy an additional pension.

All lump sum payments and pensions are subject to HMRC allowances.

[Back to Top](#)

## Joining the AVC Plan

If you decide to join the plan, you'll need to consider how much to pay and what sort of payment you want to make.

### How much should I pay?

When thinking about how much to pay you need to consider the following things:

- How much can I afford to pay?
- What level of eventual benefits am I hoping to reach?
- How much does HMRC allow me to pay into my pension without imposing a tax change on my contributions?

Currently HMRC allows you to pay in up to 100% of your salary into a pension, but will apply a tax charge if the value of your pension savings for the year is greater than their annual allowance limit of £50,000 (2011/12 tax year). It's worth checking the current tax rules with the pensions team at [mypension@lv.com](mailto:mypension@lv.com) if you are unsure about your tax position.

### What can I pay?

You can make three different types of payment into your AVC fund:

- Regular monthly payments through payroll
- Single payments through payroll
- Single payments outside of payroll

### How do I join?

Depending on what you want to pay, the way you join is different:

- As a regular monthly payment through payroll – you need to let us know what you want to pay using Snowdrop. Just log into Snowdrop, click on 'Employees' then 'AVC Pension' and make your choice. Making payments this way means we'll take your contribution direct from your salary each month. You can stop your payments at any time. Please note this option will be available from early November.
- As a single payment through payroll – let us know you wish to make a single one off payment by completing [this form](#) and sending it to the [mypension@lv.com](mailto:mypension@lv.com) mailbox and we'll arrange the rest.
- As a single payment outside of payroll – if you want to make a payment from your own account, you need to complete this form and send it directly to Friends Life Corporate Client Services, PO Box 6272, Basingstoke, Hampshire, RG21 6SH. Don't forget to enclose your cheque (payable to: Friends Life Company Ltd) with the form

We'll automatically invest your account in Lifestyle AVC 2 until you tell us otherwise. Also, your retirement age will be set to 65 unless you change it.

Once you've made your first payment (regular or single) you'll be sent a user ID and password allowing you secure online access to your AVC account. You can use the website to see how your AVC fund is doing, change the fund(s) your money is invested in and amend your selected retirement age.

### Do I get tax relief?

If you pay contributions through payroll the actual cost to you will be less than the amount of the contribution, this is because of 'tax relief' which is done automatically via payroll.

If you make payments outside of payroll, as a lump sum by cheque, then you'll need to claim the tax relief through your own tax return.

You have the opportunity to change or stop the amount of monthly contribution you make whenever you wish – just log into Snowdrop and click on 'Employees' then 'AVC Pension' and make your choice.

### Do I pay any charges?

There is currently no charge to switch funds or change which funds your future contributions are paid into, but Friends Life does reserve the right to either limit the number of switches made, or make a charge for this facility.

[Back to Top](#)

## Investing

Investing involves risk and your attitude to risk will influence which option you go for – it will probably change as you get older and your circumstances change.

Early in your career, you may decide that it's worth carrying the risk of losses when there is the possibility of getting good return on your investment. Funds that are more likely to give lower returns will normally offer more security, and may appeal to you more as you near retirement.

### Asset Types

Assets are the types of investment used in the different funds.

Different assets are generally expected to 'behave' in a certain way. By this, we mean that each asset type may tend to give a certain level of return – and equally, carry a certain level of risk. Generally speaking, the better the returns you might expect from an investment, the more risk it also carries of falling in value.

The funds available for you to choose from are made up of the following asset types:

- Shares (also called 'Equities')
- Bonds and Gilts
- Property
- Cash

The '[My LV= AVC Plan](#)' booklet looks at these asset types in more detail.

### Risk

Here are some of the risks it's worth you considering when choosing your investment funds.

- **Your account may go down in value.** Shares in particular – which have tended to give higher returns than most other investments in the past – are also liable to fall in value in the short term
- **The cost of your pension may go up.** In other words, depending on market conditions, the amount of pension you'll get for the money in your account will change. There is the risk this may happen just as you're about to buy your pension with it
- **Your account may lose its real value.** Cash investments in particular are relatively secure, and as a result tend to offer low returns. If these returns fall below inflation, the 'real value' of the cash investment will actually go down
- **Putting all your eggs in one basket.** If you invest in just one asset type, it will affect your whole investment if it performs poorly. You may consider managing this risk by spreading your account across different assets, so the impact isn't so great if one asset type underperforms

The '[My LV= AVC Plan](#)' booklet looks at these risks in more detail.

### Investing styles

There are two main 'styles' of investing – both feature in the AVC fund range.

- **Passive investing** means the fund managers choose investments in line with a market index (passive investing is sometimes called 'index-tracking' funds). As a result, the returns are likely to be in line with the market average – not much higher, or lower
- **Active investing** means the fund managers choose investments they believe will outperform the market – in other words, give returns higher than the relevant index. Accordingly, there is more risk of the investments performing worse than the market as well

It's important to remember that both investing styles 'follow' the market – and as a result, carry some level of risk – but the highs and lows are expected to be more extreme for active funds.

[Back to Top](#)

Fund Choices

Fund range

There are currently seven funds in the range that you can choose from. Each fund has a rating to help you decide if it's a suitable fund for your aims – and your attitude to risk.

Fund Name	Management Charges	Risk Category	Underlying Fund
Cash Fund	0.35%	Very Cautious	Aquila Life Cash Fund
Bond Fund	0.35%	Cautious	Aquila Life Over 15 Years UK Gilt Index Fund
Property Fund	0.95%	Balanced	Threadneedle property fund
Mixed Asset Fund	0.35%	Adventurous	Aquila Life Consensus Fund
Global Shares Fund	0.35%	Adventurous	Aquila Life (50:50) Global Equity Fund
UK Shares Fund	0.35%	Adventurous	Aquila Life UK Equity Index Funds
Diversified Growth Fund	1.00%	Very Adventurous	Schroder Diversified Growth Fund

Lifestyle options

Lifestyle options can be a useful choice if you don't want to make ongoing investment decisions during your plan membership.

A lifestyle option moves your account between investment funds automatically depending on your age. The plan offers three lifestyle options, each differ in the levels of possible risk and return carried by the 'share' funds you initially invest in.

- Lifestyle AVC 1 is the most cautious option
- Lifestyle AVC 2 is the moderate option
- Lifestyle AVC 3 is the most adventurous option

If you choose a Lifestyle option, it applies to your whole account – you can't mix it with individual fund choices.

In the early to middle stages of your career, Lifestyle places your account into one or more funds that mostly aim for 'growth' (shares, for example).

As you approach retirement, your account will move into more stable funds that mostly aim to 'protect' your account rather than grow it. In other words, they are likely to give lower returns than 'growth' funds, but also carry less risk.

By the time you retire, your whole account will be in more stable funds, with 100% of it in a cash fund.

Lifestyles work based on a selected retirement age. This is automatically set to age 65. If you plan to retire at a different age you will need to change this by going on-line with your Friends Life log-in details. These will be sent to you once you've made your first AVC payment.

The ' [My LV= AVC Plan](#)' booklet looks at these Lifestyles in more detail.

Date Updated: 21-MAR-2013    Version Number: 3

Date Updated: 04-OCT-2012    Version Number: 1

Date Updated: 04-OCT-2012    Version Number: 1

Date Updated: 04-OCT-2012    Version Number: 1

Date Updated: 04-OCT-2012    Version Number: 1

