**Appendix 4**

[**Letter A -**](#A)to be used for either:

(i) a member who meets the vesting period in the scheme and requests information about what they can do with their AVC plan or informs the administering authority that they are considering, or have decided, what to do with their AVCs. The member does not have the opportunity to transfer their AVC plan and they are not taking their main scheme benefits, **OR**

(ii) a member who leaves the LGPS with a right to a deferred benefit but does not have the opportunity to transfer their AVC plan.

[**Letter B -**](#B)to be used for either:

(i) a member who meets the vesting period in the scheme and requests information about what they can do with their AVC plan or informs the administering authority that they are considering, or have decided, what to do with their AVCs. The member has the opportunity to transfer their AVC plan but they are under age 54 years and 8 months and do not meet the ill health condition, **OR**

(ii) a member who leaves the LGPS with a right to a deferred benefit, has the opportunity to transfer their AVC plan but is under age 54 years and 8 months and does not meet the ill health condition.

[**Letter C -**](#C)to be used where a member who meets the vesting period in the scheme requests information about what they can do with their AVC plan or informs the administering authority that they are considering, or have decided, what to do with their AVCs. The member has the opportunity to transfer their AVC plan and they are age 54 years and 8 months or older or they meet the ill health condition.

[**Letter D -**](#D)The member leaves the LGPS on or after 1 April 2014 with a right to a deferred benefit, has the opportunity to transfer their AVC plan, is age 54 years and 8 months or older or meets the ill health condition. [Note where an administering authority provides retirement option letters to leavers aged 55 or over letter G should be used instead]

[**Letter E -**](#E)to be provided to members at least 4 months before their specified retirement date (where the member has specified a date), otherwise at least 4 months before their normal pension age (NPA), or where over NPA, age 75 AND where they have been provided with the information in letter C in the 12 months prior to sending this letter.

[**Letter F -**](#F)to be provided to members at least 4 months before their specified retirement date (where the member has specified a date), otherwise at least 4 months before their normal pension age (NPA), or where over NPA, age 75 AND

where the information in letter C has not been provided in the 12 months prior to sending this letter. **The ‘wake up’ letter.**

[**Letter G** –](#G) to be used when sending retirement options letters to members in respect of their main LGPS benefits. Note the RISK WARNING must always be included when members are also provided with an application form or online access, information about access or any other method of access that enables the member to use their AVC plan to buy an annuity or take payment of a lump sum.

**Letter A**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

[Thank you for getting in touch about the options available to you in respect of your Local Government Pension Scheme (LGPS) AVC plan.]

OR

[This letter sets out the AVC options available to you now that you have left the LGPS and have become entitled to a deferred benefit in the scheme.]

As you are already in receipt of regular income from a LGPS AVC plan you are unable to transfer your current AVC plan out of the LGPS to another pension arrangement. Therefore, you must take your AVC plan in accordance with the LGPS rules.

When you take your main LGPS pension you will be asked to make a decision about what you would like to do with your AVC plan. Please note, it is not possible to take your AVC plan before you take your main LGPS pension.

The AVC options available under the LGPS rules are listed below; you will see that certain restrictions apply to some options – these are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an ‘enhanced annuity’.

1. **Buy a top-up pension from the LGPS**

When you take your LGPS benefits, you can use some or all of your AVC plan to buy a top-up pension from the LGPS if you paid into the LGPS **on or after 1 April 2014**. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

Your dependents will automatically be provided with extra pension in the event of your death.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

If you left the LGPS **before 1 April 2014** this option is not available to you.

1. **Take some or all of your AVC plan as a single tax free lump sum**

To do this you must take your main LGPS benefits at the same time as your AVC plan. There are some rules which limit how much tax free lump sum you can take:

* when added to your main LGPS lump sum, to which you may be entitled, or which you request in exchange for pension income, your total tax free lump sum cannot exceed 25% of the overall value of your LGPS benefits you are taking at that particular time. This includes the value of your AVC plan.
* your maximum tax free lump sum must also not exceed 25% of the lifetime allowance (£257,500 for the tax year 2018/19) or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits.

*<Only use the paragraph below for active members>*

1. **Buy extra membership in the LGPS**

If your AVC plan started before 13 November 2001 you may have the option of using it to buy extra years and days final salary membership in the LGPS. This option only applies in certain circumstances:

* you are aged over 50, are in active service and have stopped your AVC contributions, or
* you are taking ill health or flexible retirement.

The extra membership will provide you with additional LGPS pension when you retire. The extra pension you receive is taxable; the rate at which you pay tax will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

1. **Leave your AVC plan invested and use it later**

If you left the LGPS **before 1 April 2014** you do not have to take your AVC plan when you take your main LGPS pension. You can leave your AVC plan invested and use it at a later date, however, you must take it by the age of 75.

Please note, if you do not take your AVC plan at the same time as your main LGPS pension you will lose any right you have to:

* take a 100% tax free lump sum (you will only be able to take up to 25% of the plan as a tax free lump sum)
* buy a top-up pension in the LGPS
* buy extra membership in the LGPS

If you leave your AVC plan invested this will give your pot a chance to grow, but as with any investment, the value of your plan could go up as well as down.

If you paid into the LGPS **on or after 1 April 2014** you must take your AVC plan at the same time as you take your main LGPS pension.

*<Only use the paragraph below for active members>*

**If you flexibly retire**

If you flexibly retire from the LGPS (i.e. with your employer’s consent you reduce your hours or move to a less senior position and take some or all of your main LGPS benefits) the rules about taking your AVC are slightly different. If this applies:

* if your AVC plan started before 13 November 2001 you must use all of your AVC plan in one or more of the ways described in options above at the same time as you take your flexible benefits. Your AVC plan will cease.
* if your AVC started on or after 13 November 2001 you can choose to take none, some or all of your AVC plan in one of the one or more of the ways described in the options above and if you wish, you can continue paying into your AVC plan.

1. **A combination of the above options**

You can mix and match ptions one to three as long as you are eligible for those options individually.

**Where can I get more help with choosing my option?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options. You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Next steps**

We will contact you about your AVC options again as you approach retirement age. If in the meantime you have any queries or would like to know the current value of your AVC plan please call us on \*\*\*\*\*\*\*\*.

Yours sincerely

**Letter B**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

[Thank you for getting in touch about the options available to you in respect of your Local Government Pension Scheme (LGPS) AVC plan.]

OR

[This letter sets out the AVC options available as you have left the LGPS and become entitled to a deferred benefit in the scheme.]

The information in this letter includes:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

**Options available in the LGPS**

If you leave your AVC plan invested with the LGPS you will be asked to make a decision about what you would like to do with it when you take your main LGPS pension. It is not possible to take your AVC plan in the LGPS before you take your main LGPS pension.

The AVC options available under the LGPS rules are listed below. You will see that certain restrictions apply to some options – any restrictions are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an enhanced annuity’.

1. **Buy a top-up pension from the LGPS**

When you take your LGPS benefits, you can use some or all of your AVC plan to buy a top-up pension from the LGPS, if you paid into the LGPS

**on or after 1 April 2014**. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

If you left the LGPS **before 1 April 2014** this option is not available to you.

1. **Take some or all of your AVC plan as a single tax free lump sum**

To do this you must take your main LGPS benefits at the same time as your AVC plan. There are some rules which limit how much tax free lump sum you can take:

* when added to your main LGPS lump sum to which you may be entitled, or which you request in exchange for pension income, your total tax free cash lump sum cannot exceed 25% of the overall value of your LGPS benefits you are taking at that particular time. This includes the value of your AVC plan.
* your maximum tax free cash lump sum must also not exceed 25% of the lifetime allowance (£257,500 for the tax year 2018/19) or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits.

*<Only use the paragraph below for active members>*

1. **Buy extra membership in the LGPS**

If your AVC plan started before 13 November 2001 you may have the option of using it to buy extra years and days final salary membership in the LGPS. This option only applies in certain circumstances:

* you are aged over 50, are in active service and have stopped your AVC contributions, or
* you are taking ill health or flexible retirement.

The extra membership will provide you with additional LGPS pension when you retire. The extra pension you receive is taxable; the rate at which you pay tax will depend on the overall amount of income you receive from your LGPS pension and other sources over any particular tax year.

1. **Leave your AVC plan invested and use it later**

If you left the LGPS

If you paid into the LGPS **on or after 1 April 2014** you must take your AVC plan at the same time as you take your main LGPS pension.

*<Only use the paragraph below for active members>*

**If you flexibly retire**

If you flexibly retire from the LGPS (i.e. with your employer’s consent you reduce your hours or move to a less senior position and you take some or all of your main LGPS benefits) the rules about taking your AVC are slightly different, as set out below:

* if your AVC plan started before 13 November 2001 you must use all of your AVC plan in one of one or more of the ways described in options above at the same time as you take your flexible benefits. Your AVC plan will cease.
* if your AVC started on or after 13 November 2001 you can choose to take none, some or all of your AVC plan in one or more of the ways described in options above, and if you wish, you can continue paying into your AVC plan.

1. **A combination of the above options**

You can mix and match options one to three as long as you are eligible for those options individually.

**Transferring your AVC plan**

You have the right to transfer your AVC plan independently of your main LGPS benefits to one of more different pension arrangements, even if you are still paying into the main LGPS scheme. However, there are certain conditions that must be met:

* you must have stopped paying AVCs in any LGPS employment you hold
* if you hold more than one LGPS AVC plan you must transfer all of your plans, even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement)

Please note, if you paid into the LGPS on or after 1 April 2014, you must take your AVC plan when you take your main LGPS benefits. Therefore, any option to transfer your AVC plan would have to be made before the date your main LGPS benefits become payable.

If you transfer your AVC plan to one or more different pension arrangements you may be able to access additional options that are not available under the LGPS rules. More information about this is provided below.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). The different options have different features, different rates of payment, different charges and different tax implications – these are all explained in the attached ‘Your pension; it’s time to choose’ leaflet from the Money Advice Service. <*INCLUDE THE “It’s time to choose leaflet” – free printed guides can be requested from* [*https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides*](https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides)>

The LGPS will not apply a charge if you transfer your AVC plan. However, your AVC provider may make an adjustment to your AVC plan value – you should speak to your AVC provider about this.

If you are thinking of transferring your AVC plan to one or more different pension arrangements you should be aware that scammers operate in these markets and are after your pension. Please read the enclosed leaflet which provides tips on how to protect yourself from scammers. <FUNDS TO INSERT SCAMS LEAFLET – download here - <http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf> >

**What options are not available under the LGPS rules?**

It could be that the options available under the LGPS rules are not what you are looking for, or you are not eligible for your preferred option. By transferring out to one or more different pension arrangements you may, depending on the pension arrangements you choose, from age 55 be able to use your AVC plan in the following ways:

1. **Use your pension pot to provide a flexible retirement income** – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when or a regular taxable income. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
2. **Take a number of lump sums** – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
3. **Take your pension pot in one go as cash** – usually the first 25% will be tax free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year. Remember, it is possible to take all of your LGPS AVC plan as a tax free lump sum in certain circumstances.

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Next steps**

We will contact you about your AVC options again as you approach retirement age. If in the meantime you have any queries please or would like to know the current value of your AVC plan call us on \*\*\*\*\*\*\*\*.

Yours sincerely

**Letter C**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

Thank you for getting in touch about the options available to you in respect of your Local Government Pension Scheme (LGPS) AVC plan.

You should read this letter carefully as it contains important information about:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

**What is the value of my AVC plan?**

The value of your AVC plan at 00/00/0000 is £0.00.

The transfer value of your AVC plan at 00/00/0000 is £0.00 [if different]

This is an estimate and will not necessarily be the exact amount available to transfer. The value of your AVC plan may be affected by fluctuations in the relevant unit price and so the value of your plan could increase or fall.

*<insert details of any guarantee to which the benefits are subject along with details of any other features, restrictions and conditions that apply to the benefits that affect, or may affect, their value>*

*<for example insert the paragraph below if the member is invested in Prudential’s With-Profits Fund>*

[Important information about the With-Profits Fund

* The transfer value given includes all regular bonuses together with a currently-applicable bonus of £0.00. Please note that any final bonus can vary, and is not guaranteed. For example, it might not be paid if investment returns have been low over the lifetime of your investment.
* If your money invested in the With-Profits fund is taken out at any time except on death or your AVC Normal Pension Age, its value may be reduced to reflect the current market value of underlying assets. This is known as a Market Value Reduction (MVR).
* A MVR of £0.00 has been applied at this time and your fund value has been shown after this reduction. Please be aware that the amount of any applicable MVR can change on a daily basis.]

*<insert the paragraph below if a Prudential exit charge applies>*

[You should also be aware that if you ask to withdraw funds within three years of your first contribution being received, an exit charge deduction of £0.00 has been made. The transfer value above is shown after this charge has been taken].

**Transferring your AVC plan**

You have the right to transfer your AVC plan independently of your main LGPS benefits even if you are still paying into the main LGPS scheme. However, there are certain conditions that must be met:

* you must have stopped paying AVCs in any LGPS employment you hold
* if you hold more than one LGPS AVC plan you must transfer out all of your plans even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement).

Please note, if you paid into the LGPS on or after 1 April 2014 you must take your AVC plan when you draw your main LGPS benefits. Therefore, any option to transfer your AVC plan would have to be made before the date your main LGPS benefits become payable.

If you transfer your AVC plan to one or more different pension arrangements you may be able to access options that are not available under the LGPS rules.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). The different options have different features, different rates of payment, different charges and different tax implications – these are all explained in the attached ‘Your pension:it’s time to choose’ leaflet from the Money Advice Service. <*INCLUDE THE “It’s time to choose leaflet” – free printed guides can be requested from* [*https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides*](https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides)>

The LGPS will not apply a charge if transfer your AVC plan, however, your AVC provider may. Any charges that will be applied by your AVC provider are detailed on page 1 of this letter.

If you are thinking of transferring your AVC plan to one or more pension arrangements you should be aware that scammers operate in these markets and are after your pension. Please read the enclosed leaflet which provides tips on how to protect yourself from scammers. *<FUNDS TO INSERT SCAMS LEAFLET – download here - http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf>*

**Options available in the LGPS**

If you leave your AVC plan invested with the LGPS you will be you will be asked to make a decision about what you would like to do with your AVC plan when you take your main LGPS pension. It is not possible to take your AVC plan in the LGPS before you take your main LGPS pension.

The AVC options available under the LGPS rules are listed below; you will see that certain restrictions apply to some options – the restrictions are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an enhanced annuity’.

1. **Buy a top-up pension from the LGPS**

When you take your LGPS benefits, you can use some or all of your AVC plan to buy a top-up pension from the LGPS if you paid into the LGPS

**on or after 1 April 2014**. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

you left the LGPS **before 1 April 2014** this option is not available to you.

1. **Take some or all of your AVC plan as a single tax free lump sum**

To do this you must take your main LGPS benefits at the same time as your AVC plan. There are some rules which limit how much tax free cash you can take:

* when added to your main LGPS lump sum to which you may be entitled, or which you request in exchange for pension income, your total tax free cash lump sum cannot exceed 25% of the overall value of your LGPS benefits you are taking at that particular time. This includes the value of your AVC plan.
* your maximum tax free cash lump sum must also not exceed 25% of the lifetime allowance (£257,500 for the year 2018/19) or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits.

*<Only use the paragraph below for active members>*

1. **Buy extra membership in the LGPS**

If your AVC plan started before 13 November 2001 you may have the option of using it to buy extra years and days final salary membership in the LGPS. This option only applies in certain circumstances:

* you are aged over 50, are in active service and have stopped your AVC contributions, or
* you are taking ill health or flexible retirement.

The extra membership will provide you with additional LGPS pension when you retire. The extra pension you receive is taxable; the rate at which you pay tax will depend on the overall amount of income you receive from your LGPS pension and other sources over any particular tax year.

1. **Leave your AVC plan invested and use it later**

If you left the LGPS

If you paid into the LGPS **on or after 1 April 2014** you must take your AVC plan at the same time as you take your main LGPS pension.

*<Only use paragraph below for active members>*

**If you flexibly retire**

If you flexibly retire from the LGPS (i.e. with your employer’s consent you reduce your hours or move to a less senior position and take some or all of your main LGPS benefits) the rules about taking your AVC are slightly different, as set out below:

* If your AVC plan started before 13 November 2001 you must use all of your AVC plan in one of the ways described in options 1 to 4 above at the same time as you take your flexible benefits. Your AVC plan will cease.
* If your AVC started on or after 13 November 2001 you can choose to take none, some or all of your AVC plan in one of the ways described in options 1 to 4 above and if you wish, you can continue paying into your AVC plan

1. **A combination of the above options**

You can mix and match options one to three as long as you are eligible for those options individually.

**What options are not available under the LGPS rules?**

It could be that the options available under the LGPS rules are not what you are looking for, or you are not eligible for your preferred option. By transferring out to one or more different pension arrangements you may, from the age of 55, be able to use your AVC plan in the following ways:

1. **Use your pension pot to provide a flexible retirement income** – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when or a regular taxable income. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
2. **Take a number of lump sums** – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
3. **Take your pension plan in one go as cash** – usually the first 25% will be tax free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year. Remember, it is possible to take all of your LGPS AVC plan as a tax free lump sum in certain circumstances.

You should be aware that there may be tax implications associated with taking your benefits in the ways described above. If you decide to transfer your AVC plan with a view to taking any of these options we recommend that you get independent financial advice before doing so.

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Your main LGPS benefits**

You have the right to take your main LGPS pension at any time from the age of *<adjust for people who left prior to 1/4/1998 for the early payment issue and reflect they can’t defer beyond NRA>* 55 *<insert for active members only>* [if you leave your employment or your employer agrees to you flexibly retiring i.e. reducing your hours or moving to a less senior position and taking some or all of your main LGPS benefits]. You must take payment of your pension benefits before your 75th birthday. Your LGPS pension can be paid from any age if you suffer from permanent ill health and meet certain criteria.

For more information about your main LGPS benefits and how they can be accessed please contact *<fund to enter relevant contact details>*.

**Next steps**

If after reading all the enclosed information you decide you would like to proceed with a particular option please call us on \*\*\*\*\*\*.

Otherwise, we will contact you again about your AVC options as you approach retirement age.

Yours sincerely

**Letter D**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

This letter sets out the AVC options available to you now that you have left the LGPS and have become entitled to a deferred benefit in the scheme.

Please read this letter carefully as it contains information about:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

<*ADDITIONAL TEXT - Include the paragraph below unless Letter C or the information within it has been provided in the previous 12 months*>

[**The value of your AVC Plan**

If you would like to know the current transfer value of your AVC plan and details of any bonuses or charges that may apply please contact us on \*\*\*\*\*\*\*. This information may help you decide what you would like to do with your AVC plan.]

**Options available in the LGPS**

If you leave your AVC plan invested with the LGPS you will be asked to make a decision about what you would like to do with it when you take your main LGPS pension. It is not possible to take your AVC plan in the LGPS before you take your main LGPS pension.

The AVC options available under the LGPS rules are listed below. You will see that certain restrictions apply to some options – the restrictions are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an enhanced annuity’.

1. **Buy a top-up pension from the LGPS**

When you take your LGPS benefits, you can use some or all of your AVC plan to buy a top-up pension from the LGPS. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

1. **Take some or all of your AVC plan as a single tax free lump sum**

To do this you must take your main LGPS benefits at the same time as your AVC plan. There are some rules which limit how much tax free lump sum you can take:

* when added to your main LGPS lump sum to which you may be entitled, or which you request in exchange for pension income, your total tax free cash lump sum cannot exceed 25% of the overall value of your LGPS benefits you are taking at that particular time. This includes the value of your AVC plan.
* your maximum tax free cash lump sum must also not exceed 25% of the lifetime allowance (£257,500 for the tax year 2018/19) or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits.

1. **A combination of the above options**

You can mix and match any of the above options as long as you are eligible for those options individually.

**Transferring your AVC plan**

You have the right to transfer your AVC plan independently of your main LGPS benefits to one of more different pension arrangements, even if you are still paying into the main LGPS scheme. However, there are certain conditions that must be met:

* you must have stopped paying AVCs in any LGPS employment you hold
* you must not be in receipt of regular income either from an annuity or a top-up pension in the LGPS in respect of a LGPS AVC plan that you paid into and took payment of previously
* if you hold more than one LGPS AVC plan you must transfer all of your plans even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement).

Please note, you must take your AVC plan when take your main LGPS benefits. Therefore, any option to transfer your AVC plan would have to be made before the date on which your main LGPS benefits become payable.

If you transfer your AVC plan to one or more different pension arrangements you may be able to access additional options that are not available under the LGPS rules. More information about this is provided below.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). The different options have different features, different rates of payment, different charges and different tax implications – these are all explained in the attached ‘Your pension:it’s time to choose’ leaflet from the Money Advice Service. <*INCLUDE THE “It’s time to choose leaflet”*

*– free printed guides can be requested from* [*https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides*](https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides)>

The LGPS will not apply a charge if you transfer your AVC plan. However, your AVC provider may make an adjustment to your AVC plan value.

If you are thinking of transferring your AVC plan to one or more different pension arrangements you should be aware that scammers operate in these markets and are after your pension. Please read the enclosed leaflet which provides tips on how to protect yourself from scammers. <*FUNDS TO INSERT SCAMS LEAFLET – download here - http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf>*

**What options are not available under the LGPS rules?**

It could be that the options available under the LGPS rules are not what you are looking for, or you are not eligible for your preferred option. By transferring out to one or more different pension arrangements you may, depending on the pension arrangements you choose, from age 55 be able to use your AVC plan in the following ways:

1. **Use your pension pot to provide a flexible retirement income** – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then use the rest to provide a regular taxable income. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
2. **Take a number of lump sums** – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
3. **Take your pension plan in one go as cash** – usually the first 25% will be tax free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year. Remember, it is possible to take all of your LGPS AVC plan as a tax free lump sum in certain circumstances.

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Your main LGPS benefits**

[You will be/have been *<delete as appropriate>* notified of your deferred benefit entitlement under the main LGPS scheme separately]. You have the right to take your main scheme benefits at any time from age 55 and the day before your 75th birthday.

Your LGPS pension can be paid from any age if you suffer from permanent ill health and meet certain criteria.

For more information about your main scheme benefits and how they can be accessed please contact <*fund to enter relevant contact details>*.

**Next steps**

We will contact you about your AVC options again as you approach retirement age. If in the meantime you have any queries please call us on \*\*\*\*\*\*\*\*.

Yours sincerely

**Letter E**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

[Our records indicate that you have specified an AVC retirement date of \*\*/\*\*/\*\*\*\*. We are required to provide you with certain information about your AVC plan in advance of this date].

OR for active members

[Our records indicate that on \*\*/\*\*/\*\*\*\* you will reach your normal pension age under the LGPS rules. You can retire and take your main LGPS pension benefits from this date without a reduction for early payment. As a result of this, we are required to provide you with certain information about your AVC plan].

OR for deferred members

[Our records indicate that on \*\*/\*\*/\*\*\*\* you will reach your normal pension age under the LGPS rules and you are able to/ must <*delete as appropriate*> take your main LGPS pension benefit from this date without a reduction for early payment. As a result of this, we are required to provide you with certain information about your AVC plan.] <*Note leavers before 1/4/1998 have to have left all LG employment to take payment of their deferred benefit – amend as necessary*>

We have already provided you with information about:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

This information was sent to you on 00/00/0000 and may help you make a decision about what you would like to do with your AVC plan. If you would like a copy of this letter please call us on \*\*\*\*.

**Your AVC plan value**

The value of your AVC plan at 00/00/0000 is £0.00.

The transfer value of your AVC plan at 00/00/0000 is £0.00. [if different]

This is an estimate and will not necessarily be the exact amount available. The value of your AVC plan may be affected by fluctuations in the relevant unit price and so the value of your plan could increase or fall.

*<insert details of any guarantee to which the benefits are subject along with details of any other features, restrictions and conditions that apply to the benefits that affect, or may affect, their value>*

*<for example, include the information below if the member is invested in Prudential’s With-Profits fund>*

[Important information about the With-Profits Fund

* The transfer value given includes all regular bonuses together with a currently-applicable bonus of £0.00. Please note that any final bonus can vary, and is not guaranteed. For example, it might not be paid if investment returns have been low over the lifetime of your investment.
* If your money invested in the With-Profits fund is taken out at any time except on death or your AVC Normal Pension Age, its value may be reduced to reflect the current market value of underlying assets. This is known as a Market Value Reduction (MVR).
* A MVR of £0.00 has been applied at this time and your fund value has been shown after this reduction. Please be aware that the amount of any applicable MVR can change on a daily basis.]

*<insert the paragraph below if a Prudential exit charge applies>*

[You should also be aware that if you ask to withdraw funds within three years of your first contribution being received, an exit charge deduction of £0.00 has been made. The transfer value above is shown after this charge has been taken].

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Your main LGPS benefits**

You have the right to take your main LGPS pension at any time from the age of *<adjust for people who left prior to 1/4/1998 for the early payment issue and to reflect they can’t defer beyond NRA>* 55 *<insert for active members only>* [if you leave your employment or your employer agrees to you flexibly retiring i.e. reducing your hours or moving to a less senior position and taking some or all of your main LGPS benefits]. You must take payment of your pension benefits before your 75th birthday.

Your LGPS pension can be paid from any age if you suffer from permanent ill health and meet certain criteria.

For more information about your main LGPS benefits and how they can be accessed please contact *<fund to enter relevant contact details>*.

**Next steps**

When you are ready to make a decision about your AVC plan please call us on \*\*\*\*\*\* and we will provide you with an application form(s), as appropriate. Please note, you must take payment of your AVC plan before your 75th birthday.

Yours sincerely

**Letter F**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

[Our records indicate that you have specified an AVC retirement date of \*\*/\*\*/\*\*\*\*. We are required to provide you with certain information about your AVC plan in advance of this date].

OR for active members with no SRD

[Our records indicate that on \*\*/\*\*/\*\*\*\* you will reach your normal pension age under the LGPS rules. You can retire and take your main LGPS pension benefits from this date without a reduction for early payment. As a result of this, we are required to provide you with certain information about your AVC plan].

OR for deferred members with no SRD

[Our records indicate that on \*\*/\*\*/\*\*\*\* you will reach your normal pension age under the LGPS rules and are able to/ must <*delete as appropriate*> take your main LGPS pension benefit from this date without a reduction for early payment. As a result of this, we are required to provide you with certain information about your AVC plan.] <*Note leavers before 1/4/1998 have to have left all LG employment to take payment of their deferred benefit – amend as necessary*>

You should read this letter carefully as it contains important information about:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

**What is the value of my AVC plan?**

The value of your AVC plan at 00/00/0000 is £0.00.

The transfer value of your AVC plan at 00/00/0000 is £0.00. [if different]

This is an estimate and will not necessarily be the exact amount available to transfer. The value of your AVC plan may be affected by fluctuations in the relevant unit price and so the value of your plan could increase or fall.

*<insert details of any guarantee to which the benefits are subject along with details of any other features, restrictions and conditions that apply to the benefits that affect, or may affect, their value>*

*<for example, insert the paragraph below if the member is invested in Prudential’s With-Profits Fund>*

[Important information about the With-Profits Fund

* The transfer value given includes all regular bonuses together with a currently-applicable bonus of £0.00. Please note that any final bonus can vary, and is not guaranteed. For example, it might not be paid if investment returns have been low over the lifetime of your investment.
* If your money invested in the With-Profits fund is taken out at any time except on death or your AVC Normal Pension Age, its value may be reduced to reflect the current market value of underlying assets. This is known as a Market Value Reduction (MVR).
* A MVR of £0.00 has been applied at this time and your fund value has been shown after this reduction. Please be aware that the amount of any applicable MVR can change on a daily basis.]

*<insert the paragraph below if a Prudential exit charge applies>*

[You should also be aware that if you ask to withdraw funds within three years of your first contribution being received, an exit charge deduction of £0.00 has been made. The transfer value above is shown after this charge has been taken].

**Transferring your AVC plan**

You have the right to transfer your AVC plan independently of your main LGPS benefits even if you are still paying into the main LGPS scheme. However, there are certain conditions that must be met:

* you must have stopped paying AVCs in any LGPS employment you hold
* you must not be in receipt of regular income either from an annuity or a top-up pension in the LGPS in respect of a LGPS AVC plan that you paid into and took payment of previously
* if you hold more than one LGPS AVC plan you must transfer out all of your plans even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement).

Please note, if you paid into the LGPS on or after 1 April 2014, you must take your AVC plan when you take your main LGPS benefits. Therefore, any option to transfer your AVC plan would have to be made before the date your main LGPS benefits become payable.

If you transfer your AVC plan to one or more different pension arrangements you may be able to access options that are not available under the LGPS rules.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). The different options have different features, different rates of payment, different charges and different tax implications – these are all explained in the attached ‘Your pension: it’s time to choose’ leaflet from the Money Advice Service. <*INCLUDE THE “It’s time to choose leaflet” – free printed guides can be requested from* [*https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides*](https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides)>

The LGPS will not apply a charge if transfer your AVC plan, however, your AVC provider may. Any charges that will be applied by your AVC provider are detailed above.

If you are thinking of transferring your AVC plan to one or more pension arrangements you should be aware that scammers operate in these markets and are after your pension. Please read the enclosed leaflet which provides tips on how to protect yourself from scammers. *<FUNDS TO INSERT SCAMS LEAFLET – download here - http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf>*

**Options available in the LGPS**

If you leave your AVC plan invested with the LGPS you will be you will be asked to make a decision about what you would like to do with your AVC plan when you take your main LGPS pension. It is not possible to take your AVC plan in the LGPS before you take your main LGPS pension.

The AVC options available under the LGPS rules are listed below; you will see that certain restrictions apply to some options – the restrictions are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an enhanced annuity’.

1. **Buy a top-up pension from the LGPS**

When you take your LGPS benefits, you can use some or all of your AVC plan to buy a top-up pension from the LGPS if you paid into the LGPS **on or after 1 April 2014**. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

you left the LGPS **before 1 April 2014** this option is not available to you.

1. **Take some or all of your AVC plan as a single tax free lump sum**

To do this you must take your main LGPS benefits at the same time as your AVC plan. There are some rules which limit how much tax free cash you can take:

* when added to your main LGPS lump sum to which you may be entitled, or which you request in exchange for pension income, your total tax free cash lump sum cannot exceed 25% of the overall value of your LGPS benefits you are taking at that particular time. This includes the value of your AVC plan.
* your maximum tax free cash lump sum must also not exceed 25% of the lifetime allowance (£257,500 for the year 2018/19) or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits.

*<Only use paragraph below for active members>*

1. **Buy extra membership in the LGPS**

If your AVC plan started before 13 November 2001 you may have the option of using it to buy extra years and days final salary membership in the LGPS. This option only applies in certain circumstances:

* you are aged over 50, are in active service and have stopped your AVC contributions, or
* you are taking ill health or flexible retirement.

The extra membership will provide you with additional LGPS pension when you retire. The extra pension you receive is taxable; the rate at which you pay tax will depend on the overall amount of income you receive from your LGPS pension and other sources over any particular tax year.

1. **Leave your AVC plan invested and use it later**

If you left the LGPS **before 1 April 2014** you do not have to take your AVC plan when you take your main LGPS pension. You can leave your AVC plan invested and use it at a later date, however, you must take it by the age of 75.

Please note, if you do not take your AVC plan at the same time as your main LGPS pension you will lose any right you have to:

* take a 100% tax free lump sum (you will only be able to take up to 25% of the plan as a tax free lump sum)
* buy a top-up pension in the LGPS
* buy extra membership in the LGPS

If you leave your AVC plan invested this will give your pot a chance to grow, but as with any investment, the value of your plan could go up as well as down.

If you paid into the LGPS **on or after 1 April 2014** you must take your AVC plan at the same time as you take your main LGPS pension.

*<Only use paragraph below for active members>*

**If you flexibly retire**

If you flexibly retire from the LGPS (i.e. with your employer’s consent you reduce your hours or move to a less senior position and take some or all of your main LGPS benefits) the rules about taking your AVC are slightly different, as set out below:

* If your AVC plan started before 13 November 2001 you must use all of your AVC plan in one of the ways mentioned in options 1 to 4 above at the same time as you take your flexible benefits. Your AVC plan will cease.
* If your AVC started on or after 13 November 2001 you can choose to take none, some or all of your AVC plan in one of the ways described in options 1 to 4 above, and if you wish, you can continue paying into your AVC plan

1. **A combination of the above options**

You can mix and match options one to three as long as you are eligible for those options individually.

**What options are not available under the LGPS rules?**

It could be that the options available under the LGPS rules are not what you are looking for, or you are not eligible for your preferred option. By transferring out to one or more different pension arrangements you may, from the age of 55, be able to use your AVC plan in the following ways:

1. **Use your pension pot to provide a flexible retirement income** – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then use the rest to provide a regular taxable income. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
2. **Take a number of lump sums** – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
3. **Take your pension plan in one go as cash** – usually the first 25% will be tax free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year. Remember, it is possible to take all of your LGPS AVC plan as a tax free lump sum in certain circumstances.

You should be aware that there may be tax implications associated with taking your benefits in the ways described above. If you decide to transfer your AVC plan with a view to taking any of these options we recommend that you get independent financial advice before doing so.

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Your main LGPS benefits**

You have the right to take your main LGPS pension at any time from the age of *<adjust for people who left prior to 1/4/1998 for the early payment issue and to reflect they can’t defer beyond NRA>* 55 *<insert for active members only>* [if you leave your employment or your employer agrees to you flexibly retiring i.e. reducing your hours or moving to a less senior position and taking some or all of your main LGPS benefits]. You must take payment of your benefits before your 75th birthday.

Your LGPS pension can be paid from any age if you suffer from permanent ill health and meet certain criteria.

For more information about your main LGPS benefits and how they can be accessed please contact *<fund to enter relevant contact details>*.

**Next steps**

When you are ready to make a decision about your AVC plan please call us on \*\*\*\*\*\* and we will provide you with an application form(s), as appropriate.

Yours sincerely

**Letter G**

Dear [Title] [Surname]

**Accessing your Local Government Pension Scheme AVC plan**

This letter sets out the AVC options available to you in connection with your upcoming retirement on 00/00/0000.

Please read this letter carefully as it contains important information about:

* the options available to you if you take your AVC plan within the LGPS
* the option to transfer your AVC plan to one or more different pension arrangements
* other options that may be available if you were to transfer your AVC plan

**What is the value of my AVC plan?**

*<either reference the letter from the AVC provider setting out the information below or include it as detailed below>*

The value of your AVC plan at 00/00/0000 is £0.00.

The transfer value of your AVC plan at 00/00/0000 is £0.00. [if different]

This is an estimate and will not necessarily be the exact amount available to transfer. The value of your AVC plan may be affected by fluctuations in the relevant unit price and so the value of your plan could increase or fall.

*<insert details of any guarantee to which the benefits are subject along with details of any other features, restrictions and conditions that apply to the benefits that affect, or may affect, their value>*

*<for example, insert the paragraph below if the member is invested in Prudential’s With-Profits Fund>*

[Important information about the With-Profits Fund

* The transfer value given includes all regular bonuses together with a currently-applicable bonus of £0.00. Please note that any final bonus can vary, and is not guaranteed. For example, it might not be paid if investment returns have been low over the lifetime of your investment.
* If your money invested in the With-Profits fund is taken out at any time except on death or your AVC Normal Pension Age, its value may be reduced to reflect the current market value of underlying assets. This is known as a Market Value Reduction (MVR).
* A MVR of £0.00 has been applied at this time and your fund value has been shown after this reduction. Please be aware that the amount of any applicable MVR can change on a daily basis.]

*<insert the paragraph below if a Prudential exit charge applies>*

[You should also be aware that if you ask to withdraw funds within three years of your first contribution being received, an exit charge deduction of £0.00 has been made. The transfer value above is shown after this charge has been taken].

**Transferring your AVC plan**

You have the right to transfer your AVC plan independently of your main LGPS benefits, even if you are still paying into the main LGPS scheme. However, there are certain conditions that must be met:

* you must have stopped paying AVCs in any LGPS employment you hold
* you must not be in receipt of regular income either from an annuity or a top-up pension in the LGPS in respect of a LGPS AVC plan that you paid into and took payment of previously
* if you hold more than one LGPS AVC plan you must transfer out all of your plans even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement).

Please note, if you paid into the LGPS on or after 1 April 2014, you must take your AVC plan when you take your main LGPS benefits. Therefore, any option to transfer your AVC plan would have to be made before the date your main LGPS benefits become payable.

If you transfer your AVC plan to one or more different pension arrangements you may be able to access options that are not available under the LGPS rules.

Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). The different options have different features, different rates of payment, different charges and different tax implications – these are all explained in the attached ‘It’s time to choose’ leaflet from the Money Advice Service. <*INCLUDE THE “Your pension it’s time to choose leaflet” – free printed guides can be requested from* [*https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides*](https://www.moneyadviceservice.org.uk/en/articles/free-printed-guides)>

The LGPS will not apply a charge if transfer your AVC plan, however, your AVC provider may. Any charges that will be applied by your AVC provider are detailed above.

If you are thinking of transferring your AVC plan to one or more pension arrangements you should be aware that scammers operate in these markets and are after your pension. Please read the enclosed leaflet which provides tips on how to protect yourself from scammers. *<FUNDS TO INSERT SCAMS LEAFLET – download here - http://www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf>*

**Options available in the LGPS**

<*include applicable options ONLY and adapt for flexible retirees>*

The AVC options available under the LGPS rules are listed below; you will see that certain restrictions apply to some options – the restrictions are explained under each option.

1. **A regular income that is guaranteed to be paid for the rest of your life**

You can use your AVC plan to buy a lifelong, regular income (also known as an annuity) that’s guaranteed to be paid for as long as you live. Annuities offer different features which may be of interest to you, such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax free lump sum at the same time and use some or all of the balance to buy an annuity.

Your income from an annuity will be taxed in a similar way to your pay. This means that the amount of tax you pay depends on the amount of income you receive from your annuity and other sources in any particular tax year.

You don’t have to buy an annuity from your AVC provider – it’s really important that you shop around to get the best ‘annuity rate’ based on your personal circumstances and the annuity features you’re looking for. It’s worth knowing that if you’re in poor health, you may be able to get a better income from an enhanced annuity’.

If you are interested in buying an annuity please call us on \*\*\*\*\* as soon as possible so that we can request a quotation on your behalf. *<or include the annuity quotation if already provided>*

1. **Buy a top-up pension from the LGPS**

You can use some or all of your AVC plan to buy a top-up pension from the LGPS if you paid into the LGPS **on or after 1 April 2014**. The amount of extra pension you buy with your AVC plan depends on your age and your state of health. The extra pension you buy will increase in line with the cost of living.

Your dependents will automatically be provided with extra pension in the event of your death.

The pension income you receive is taxable; the rate of tax you pay will depend on the overall amount of income you receive from your LGPS pension and other sources in any particular tax year.

If you left the LGPS **before 1 April 2014** this option is not available to you.

*<administering authority to enter information about what pension / dependent’s benefits are available depending on whether the member has a pre or post 2014 AVC plan>*

1. **Take some or all of your AVC plan as a single tax free lump sum**

*<administering authority to enter details of the maximum lump sum that can be taken from the AVC plan and how this interacts with the ability to commute pension for lump sum in the main scheme. It would be worth mentioning that the maximum lump sum is subject to change if the AVC plan value changes>*

*<Only use paragraph below for active members>*

1. **Buy extra membership in the LGPS**

You have the option of using it to buy extra years and days final salary membership in the LGPS.

*<administering authority to enter information about what membership would be purchased and what this equates to in annual pension / dependent’s benefits>*

The extra membership will provide you with additional LGPS pension when you retire. The extra pension you receive is taxable; the rate at which you pay tax will depend on the overall amount of income you receive from your LGPS pension and other sources over any particular tax year.

1. **Leave your AVC plan invested and use it later**

*<ONLY include this option where the member left before 1 April 2014>*

You do not have to take your AVC plan when you take your main LGPS pension. You can leave your AVC plan invested and use it at a later date, however, you must take it by the age of 75.

Please note, if you do not take your AVC plan at the same time as your main LGPS pension you will lose any right you have to:

* take a 100% tax free lump sum (you will only be able to take up to 25% of the plan as a tax free lump sum)
* buy a top-up pension in the LGPS
* buy extra membership in the LGPS

If you leave your AVC plan invested this will give your pot a chance to grow, but as with any investment, the value of your plan could go up as well as down.

1. **A combination of the above options**

You can mix and match options one to three as long as you are eligible for those options individually.

**What options are not available under the LGPS rules?**

It could be that the options available under the LGPS rules are not what you are looking for, or you are not eligible for your preferred option. By transferring out to one or more different pension arrangements you may, from the age of 55, be able to use your AVC plan in the following ways:

1. **Use your pension pot to provide a flexible retirement income** – this is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then use the rest to provide a regular taxable income. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
2. **Take a number of lump sums** – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year.
3. **Take your pension plan in one go as cash** – usually the first 25% will be tax free with the rest subject to tax. The amount of tax and the rate at which you pay tax will depend on your total income in any particular tax year. Remember, it is possible to take all of your LGPS AVC plan as a tax free lump sum in certain circumstances (see option 3 above).

You should be aware that there may be tax implications associated with accessing your benefits in the ways described above. If you decide to transfer your AVC plan with a view to taking any of these options we recommend that you get independent financial advice before doing so.

**Where can I get more help?**

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make, so we recommend you get guidance or independent financial advice to help you when you are ready to make a decision.

Pension Wise is a free, impartial service offered by the Government to provide guidance once you reach age 50, to help you understand your AVC options.

You can find out more at [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk) or by calling **0800 138 3944** to book a **phone** or **face to face appointment**.

Help with finding an independent financial adviser is available at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)

**Next steps**

After you have read through all of the enclosed information and obtained guidance or independent advice, as appropriate, please complete the enclosed form indicating which option you would like to take in respect of your LGPS AVC plan. You will also need to complete the enclosed risk warning document.

If you decide you would like to transfer your LGPS AVC plan to one or more other pension arrangement(s) you will need to choose the pension arrangement(s) that you would like to transfer to and ask them to initiate a transfer on your behalf.

Yours sincerely