August 2020

Dear LGPS member

LGPS Salary Sacrifice AVCs

As you should have recently received your Annual Benefit Statement and may be reviewing your financial circumstances, I thought it might be a timely reminder for members of the LGPS to consider the option of Additional Voluntary Contributions (AVCs) via Salary Sacrifice which provides Tax and National Insurance Contribution savings on AVCs into your Local Government pension.

The following explains, in detail, how the arrangement works and also provides faqs. You can find out more about AVCs at https://www.pru.co.uk/rz/localgov/

Prudential no longer provide scheme presentations but our financial education webinars will help explain the benefits. In particular the Mid-Career webinar on 26th October, 9am will cover LGPS Salary Sacrifice AVCs and attending a webinar may give you the opportunity to take stock of your financial situation and better understand what options you have. To book please visit our Financial Education page on the HR portal.

Should you decide to commence AVCs, please complete and return the attached form and also apply to Prudential via their online process, via the link above.

Kind regards

Natasha McLaren
Pensions & Benefits Manager

SSSCAVC Scheme

Information and FAQs

Also enclosed:
Application form
Cancellation form

Salary Sacrifice Shared Cost AVC Scheme

Introduction

Under the Local Government Pension Scheme ('LGPS'), employees may opt to make Additional Voluntary Contributions (AVCs) and in accordance with the terms of the LGPS, an employer can also contribute to the employee's AVC arrangement. This is known as a Shared Cost AVC arrangement (SCAVC) and, other than in exceptional circumstances (see FAQs), offers the same benefit options as a standard AVC arrangement.

The University of Lincoln ('the University') provides both a standard AVC that provides tax relief and a Salary Sacrifice shared cost AVC (SSSCAVC) that provides tax relief and national insurance savings.

The SSSCAVC Scheme is fully supported by the University on the basis that it will:

- provide further flexible pension saving opportunities
- result in an increase in take home pay when compared to paying AVCs the standard way
- deliver employer NIC savings

How to join the SSSCAVC Scheme

Step 1: Read this information leaflet and the terms and conditions in the Salary Sacrifice **Application Form**.

Step 2: Consider and decide your preferred investment fund(s) and a total contribution amount. This is the total employer (the amount salary sacrificed) and employee contribution (£1 deduction from gross pay) amount per payroll period. Go to www.pru.co.uk/localgov for details.

Step 3: Complete the online Prudential Application Form to confirm the **total** contribution amount. Go to www.pru.co.uk/localgov - select East Riding of Yorkshire Council Pension Fund and University of Lincoln in the search boxes - OR telephone Prudential on **0800 731 0466**

Step 4: Complete the University's Salary Sacrifice Application Form. This document constitutes your formal agreement with the University to receive the benefit of AVCs in return for the reduction to your salary.

What happens next?

Following receipt of your Prudential Application Form and the University's Salary Sacrifice Application Form, your participation in the SSSCAVC Scheme will commence from the next month's payroll after the application/ opt-out deadline.

Your payslip will show your gross (pre-tax) monthly salary has been reduced by the agreed AVC amount and also your £1 monthly contribution has been deducted. The University will then contribute the amount salary sacrificed for that period and forward your £1 contribution into your AVC fund. Prudential will also send you a welcome pack explaining the terms of your new SSSCAVC plan.

Please note, it is your responsibility to check that the salary sacrifice amount and contribution amount are correct on your monthly payslips. If, at any point, the amounts shown on your payslips are incorrect, you must immediately contact Payroll (see Q30 for details).

Frequently Asked Questions (‘FAQs’)

The questions and answers set out below provide a basic guide to the University’s SSSCAVC Scheme. The FAQs apply equally to those who are not currently paying AVCs, but may be interested in doing so, and those currently paying AVCs but not under salary sacrifice arrangements. For the avoidance of doubt, these arrangements apply equally to AVCs made for investment and life cover purposes. However, the SSSCAVC Scheme is not available for life cover only policies.

Please note that neither the University nor the East Riding Pension Fund are able to provide advice on the suitability of AVCs for members and that other options for saving for retirement are available. For details of other options for saving for retirement within the LGPS, please refer to the https://lgpsmember.org/ website or seek independent financial advice from your preferred advisor.

1. What are Additional Voluntary Contributions (AVCs)?

AVCs provide an opportunity for employees who are members of the LGPS to pay additional contributions in order to increase their pension benefits at retirement. AVCs are an efficient way to save for retirement because they attract full tax relief through your payslip, provided that your income is sufficient to pay tax and subject also to certain overall limits set by HMRC. Please see Q11 for further information.

If you choose to pay AVCs, the additional contributions are invested separately in your choice of fund(s) which are managed by the AVC provider (Prudential). The funds should, hopefully, grow over time and will be available at retirement to convert into an additional pension of your choice or, subject to certain limits, a tax free lump sum or a combination of both. Any interest, income or capital gain earned on the AVCs is free from tax while the money is invested in your plan. Prudential offers a wide range of funds with differing investment risks and you will need to look at the investment fund factsheets for further information. Please go to https://www.pru.co.uk/rz/localgov/avcs/#investmentchoices

2. Why have we introduced the SSSCAVC Scheme?

The University has introduced the SSSCAVC Scheme to provide members of the LGPS with an opportunity to pay AVCs in a cost-effective way.

The main advantage of the SSSCAVC Scheme over a standard AVC option is that, as well as receiving full income tax savings, you will not pay National Insurance Contributions (‘NICs’) on the amount of pay that you have sacrificed. As a result, the SSSCAVC Scheme allows you to save NICs in addition to tax, thus increasing your take-home pay when compared to paying AVCs in the standard way.

For example: If your salary is £25,000 per year and you pay £3,000 in standard AVCs per year, your tax savings will be circa £600 per year. If you join the SSSCAVC Scheme, you will benefit from the same tax savings and you will also benefit from NICs savings of circa £360 per year.

3. How does the SSSCAVC Scheme work?

If you decide to take advantage of the SSSCAVC Scheme, the University will contribute all but £1 of the amount you have specified into your AVC fund and in return you will agree to enter into a ‘salary sacrifice’ arrangement under which you formally accept a reduction in your gross salary which is equal to the contribution from the University. Please see Q6 for details of how to opt for the standard AVC facility.

As the SSSCAVC Scheme must be operated on a ‘shared cost’ basis, you will also be required to pay £1 per month into the AVC fund as your contribution to the shared cost AVC arrangement. This tax-free contribution will be deducted from your salary and paid into your AVC fund in addition to the contribution from the University under the salary sacrifice arrangement.

As an example, if you complete a Prudential AVC application and state that you would like to pay AVCs of £50 each month, your total AVC will be £50 (£49 being the AVC salary sacrifice amount and £1 being your personal AVC contribution).

Agreeing to join the SSSCAVC Scheme involves a commitment on your part to enter into an arrangement to reduce your gross salary for a minimum period of 12 months.

4. What is salary sacrifice?

A salary sacrifice is an arrangement between you and your employer where you formally agree to a reduction in your salary and in return you receive a benefit (in this case the benefit is contributions, paid by your employer, into your AVC fund).

The University provides a range of benefits by means of a salary sacrifice arrangement as part of its commitment to help employees reduce their everyday costs.

5. Who is eligible to participate?

All employees of the University that are members of the LGPS are eligible to join the SSSCAVC Scheme. This includes part-time and fixed-term employees.

Please note that, if by sacrificing salary, your earnings should fall below the National Minimum/Living Wage, you will be unable to participate in the SSSCAVC Scheme. Please see Q30 for contact details if you require any further help or information.

6. Am I still able to join or remain in the standard AVC arrangement as opposed to the SSSCAVC Scheme?

The University will continue to offer a standard AVC arrangement where it is required. The differences between the SSSCAVC Scheme and the standard AVC arrangement are explained in the table below:

The SSSCAVC Scheme	**Standard AVC Arrangement**
You sacrifice salary which is paid into the AVC by the University and the amount sacrificed qualifies for both income tax and national insurance savings.	AVC contributions qualify for tax relief only. No NIC saving is available.
In addition to sacrificing salary you must pay a £1 contribution each month towards your AVC and this qualifies for tax savings only.	N/A
No tax saving is available if your taxable earnings are less than £12,500 (in 2020/21)	No tax saving is available if your taxable earnings are less than £12,500 (in 2020/21)
No NIC savings are available if you earn below the Primary NIC threshold of £9,500 (in 2020/21)	No NIC savings are available on your AVC contributions

7. I’m already paying AVCs or I have an inactive LGPS AVC plan which is linked to my employment with the University. If I move to the SSSCAVC Scheme, what impact does this have on my existing AVC plan?

When you move to the SSSCAVC Scheme, Prudential will create a new SSSCAVC plan for you and both your contributions and the contributions the University pays for you through salary sacrifice will be paid into this new plan. The SSSCAVC Scheme contributions will be invested according to your existing instructions at the date your participation is approved. You can of course change these instructions at any time by contacting Prudential directly.

Please note, moving to the SSSCAVC Scheme will not impact on any other AVC pots you may have related to another job you have or with another LGPS pension fund.

Additionally, Prudential will automatically aggregate your standard AVC to the new SSSCAVC plan. These existing funds will be invested in the same funds and proportions as your standard AVC and will not affect your plan value. Prudential will not charge you for this. You can change the funds your money is invested in at any time by contacting Prudential directly.

Please note, Prudential will automatically combine your standard AVC plan with the SSSCAVC plan unless you choose to keep them as separate plans. However, Prudential will accept the first contribution of the original AVC plan as the effective start date if you withdraw any monies from your

SSSCAVC plan. **If you do not wish combine your standard AVC with your SSSCAVC plan please contact a member of the team at Q30.**

The implications of combining or not on the terms which apply are as follows:

Existing AVC Plan Start Date	Member aggregates	Impact
Prior to 1st April 2014	Yes	Member has one plan - new terms apply to combined value and future contributions
Prior to 1st April 2014	No	Member has two plans - new terms apply to future contributions to new SSSCAVC plan only
On, or after, 1st April 2014	Yes	Member has one plan - no impact as new terms applied to old plan and continue to apply to combined new plan and future contributions
On, or after, 1st April 2014	No	Member has two plans – no change to terms as new terms apply to both old and new plans

Depending on when your standard AVC plan originally started, there may be some changes to the way Prudential is required to administer your SSSCAVC plan in line with LGPS scheme rules. See Q8 below.

8. Will my SSSCAVC plan be administered by Prudential on the same terms as my standard AVC?

Your SSSCAVC plan will continue to be administered by Prudential under the same agreement between Prudential and the East Riding Pension Fund and there will be no change to the annual management charges that you currently pay as a result of your participation in this facility. If your standard AVC plan is subject to a potential exit charge with Prudential, there will be no change to whether and how this applies to your new SSSCAVC plan.

However, depending on when your standard AVC plan started there may be some changes to the way Prudential is required to administer your SSSCAVC plan in line with LGPS scheme rules.

It is important to consider the implications of the regulation differences **if you entered your active AVC before 1st April 2014 and you decide to join the SSSCAVC Scheme**. The key differences and impacts, which include example scenarios, are explained in the section at the end of the FAQs.

The information reflects the University's and Prudential's understanding of the LGPS Scheme rules that apply to different groups of AVC members, as at July 2017. The rules may change in the future. **Please ensure you read this information as it contains important information to help you decide if the SSSCAVC Scheme is right for you.**

If you joined the standard AVC scheme after 1 April 2014, there is no impact to you in respect of your transition to the SSSCAVC Scheme.

9. Can I see an example of the savings?

The amount you save will depend on the amount of salary sacrificed and the rate at which you pay tax and NICs (Basic Rate or Higher Rate).

On joining the SSSCAVC Scheme, your basic gross salary will be reduced by the amount you have specified and the University will pay the equivalent sum to your AVC fund.

The advantage is that you do not pay tax or NICs on the amount that you have sacrificed.

Paul, Annual Salary: £30,000 (basic rate tax payer)
Paul is considering paying £3,600 in AVCs. If Paul decides to join the SSSCAVC Scheme, his annual salary will be reduced by £3,588, resulting in a monthly reduction in his gross pay of £299. Paul won't have to pay any income tax or NICs on the £299 and this will save him £59.80 per month in income tax and £35.88 in NICs - a total saving of £95.68 per month or £1,148.16 a year.

In return for giving up £3,600 of his salary, the University will pay the same amount into his AVC fund and he will pay £1 per month as his contribution. The £1 AVC contribution qualifies for tax relief but not any NIC reduction. For Paul this means his personal AVC contribution (£12 per year) will cost £9.60 after tax relief.

Therefore, by participating in the SSSCAVC Scheme, the gross cost to Paul of investing £3,600 into his AVC plan will be reduced to a net cost of £2,449.44 and this is calculated as follows:

Salary sacrifice reduction	£3,588.00
Paul's personal shared cost contribution	£12.00
Total	**£3,600.00**
Less income tax saving on salary sacrifice	(£717.60)
Less NIC saving on salary sacrifice	(£430.56)
Less income tax relief on Paul's personal shared cost contribution	(£2.40)
Net cost of The SSSCAVC Scheme	**£2,449.44**

Although Paul's AVC net costs are £2,449.44, his AVC fund will receive £3,600 (£3,588 from the University under the salary sacrifice arrangement and £12 contribution from Paul). The table below shows how the monthly and annual tax and NIC savings arise:

	Monthly	Yearly
Gross salary (before tax)	£2,500.00	£30,000.00
Salary Reduction	£299.00	£3,588.00
Personal AVC contribution	£1.00	£12.00
Tax saving	£59.80	£717.60
Plus tax saving on £1	£0.20	£2.40
Plus NIC saving	£35.88	£430.56
Total savings	**£95.88**	**£1,150.66**

The example above is based on tax and NICs rates for 2020/21. Please note that the tax saving is available through the standard AVC scheme but the NIC saving is only available through the SSSCAVC Scheme.

10. When can I join the SSSCAVC Scheme?

You may join the SSSCAVC Scheme, at any time, by completing the appropriate Prudential Application Form online. You will also be required to sign acceptance of the terms before the salary reduction can commence and therefore, must complete the University's salary sacrifice Application Form. The salary sacrifice will then normally commence in the pay period following receipt of your application.

11. How do I decide the contribution amount to be paid by the University?

You will be required to specify the total AVC contribution amount. This is the total amount the University will contribute (the amount salary sacrificed) and your contribution (£1 deduction from gross pay) amount per payroll period. In deciding the amount to contribute, you will need to consider your pension objectives and annual limits in order to determine your monthly/annual contribution amount. In addition, you will need to consider the National Minimum/Living wage requirements.

If you are currently paying standard AVCs in respect of a plan that commenced prior to 1st April 2014, the maximum amount you can contribute is 50% of your pay in any pay period. If you join the SSSCAVC Scheme you will have a new AVC plan; therefore, by moving across to the SSSCAVC Scheme you will be permitted to make contributions over and above this 50% limit if you wish. Please note that the University will ensure that you will have sufficient pay after any AVC reductions to meet all lawful deductions from pay, eg. student loans, season ticket loans, etc.

It is important to remember that you may become subject to a tax charge if you make pension savings which exceed the 'Annual Allowance' in any tax year. This is the amount by which the value of a person's accrued pension rights can grow in one year free of tax. This limit includes:

- the growth in the value of your main LGPS benefits
- any AVCs paid by you and your employer
- contributions to other UK registered pension schemes in a tax year (between 6th April and the following 5th April).

For tax year 2020/21 the Annual Allowance for all individuals with income less than £240,000 a year is £40,000. You may be subject to a reduced (tapered) Annual Allowance if your total income exceeds

£200,000. The University recommends you seek financial and/or tax advice if you think the tapered Annual Allowance applies to you before paying AVCs. You will also be subject to a reduced limit if you have 'flexibly accessed' any money purchase pension savings. Your pension scheme will inform you if this applies to you. For more details about the Annual Allowance, please go to HMRC website http://www.hmrc.gov.uk/pensionschemes/understanding-aa.htm

12. Can I change the contribution amount?

Yes, you may change the employer contribution amount (the amount salary sacrificed) but you cannot change your £1 contribution amount. This is a fixed amount and cannot be changed at any time during your participation in the SSSCAVC Scheme.

If you wish to change the amount, you must contact Prudential to formally request a change. If your change is an **increase**, please contact Prudential directly on **0800 731 0466** to confirm the amount. If your change is a **reduction,** please contact Prudential directly on **0345 6000 343** to confirm the amount. Please note, Prudential requires a minimum 6 weeks notice to request a change. This means that your change may not be applied to your salary until two payroll months after your request. However, if you wish the change to apply from the next payroll, please contact payrolldept@lincoln.ac.uk Please note, when deciding a change to the contribution amount you will need to consider the NMW, NLW requirements and LEL implications, see Q5 and Q24 for further details.

13. When can I take the AVC benefits from this arrangement?

As the SSSCAVC Scheme is deemed to be a new plan, the benefits must be taken at the same time as the main scheme benefit and cannot be deferred to a date later than when the main scheme benefits are taken. However, please note that in cases of flexible retirement you may continue making the SSSCAVC Scheme payments if you wish. This is in accordance with changes to the LGPS rules that took effect from 1st April 2014. If you joined the standard AVC scheme after 1st April 2014, there is no impact to you in respect of your transition to the SSSCAVC Scheme.

14. When can I take AVC benefits for existing plans that began prior to 1st April 2014?

For employees already paying AVCs under existing plans that commenced prior to 1st April 2014, there is an option of taking the AVC fund together with the main benefit or deferring this for any period up to the age of 75. This will continue to be available for such employees provided they do not transition to the SSSCAVC Scheme. However, if an employee in this position transitions to the SSSCAVC Scheme they can opt to keep their existing AVCs fund(s) as a separate 'pot' and they will continue to have the option of AVC benefit deferral in respect of this fund (or funds) up to the age of 75. Any employee wishing to do this should contact, see Q30 for details). Please see Q7 and Q8 regarding implications for moving to SSSCAVC.

15. Should I be worried by the fact that you are reducing my gross pay?

Generally employees should not be worried. The University will track your original salary which we will now be calling 'notional salary', Q16 to Q23 below.

16. What happens if I have a pay award, promotion or other increment?

Any future pay awards, increments or promotions will be based on your original or 'notional' salary, prior to your participation in the SSSCAVC Scheme. If you opt-out your actual salary will revert to the level of your notional salary.

17. What happens to earnings related payments such as overtime?

Participation in the SSSCAVC Scheme will not affect payments such as overtime, additional hours' payments and shift allowances. These will continue to be calculated on your notional salary prior to participation in the Scheme.

18. Will my LGPS pension be affected?

The University is permitted to treat the SSSCAVC Scheme as part of your pensionable pay and, therefore, the contributions that both you and the University make into the LGPS will continue as though your salary had not been reduced. Consequently, your main LGPS benefits will be unaffected by your joining the SSSCAVC Scheme including any benefits due to your dependants in the event of your death.

19. Will participating in the SSSCAVC Scheme impact on any salary related payments?

Your participation in the SSSCAVC Scheme may have an impact on the following earnings-related statutory benefits:

- Statutory Maternity Pay (SMP)
- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)
- Statutory Sick Pay (SSP)
- Statutory Redundancy Pay (SRP)

If you are eligible for any of the above payments, the statutory amount due to you is based on your earnings during a certain period. Therefore, by taking part in the SSSCAVC Scheme, the statutory benefits will be calculated by reference to your reduced salary and the amount of benefit you receive is likely to be lower.

If you are likely to receive these benefits, you should first consider carefully whether your participation in the SSSCAVC Scheme will be worthwhile. Please contact HR Business Partner for advice as to how this may affect you individually and the options available to you.

20. What happens if I am eligible for any occupational related benefits, eg occupational maternity pay?

Occupational maternity pay is not affected by the SSSCAVC Scheme and will be calculated on the notional salary. In this event, the SSSCAVC Scheme contributions and your salary will continue to be reduced whilst you are receiving sufficient occupational pay.

21. What happens if I am absent from work or on unpaid leave?

The salary sacrifice and benefit arrangements will continue during any period of maternity, paternity, adoption, parental or sick leave as long as your employment income is sufficient to support the salary sacrifice arrangement. If at any point your employment income is insufficient or your entitlement to paid leave cease, it will not be possible to continue the salary sacrifice arrangement and the contributions paid into your AVC fund will cease. The salary sacrifice will resume once your employment income is sufficient to support the salary sacrifice arrangement.

Please note, statutory payments must be made in full and cannot be reduced by the terms of a salary sacrifice arrangement. However, since any reduction in your gross pay will adversely affect your statutory entitlement to benefits such as SSP and SMP, it may be in your interest to terminate the arrangement whilst you are absent (in accordance with the rules regarding 'lifestyle changes' described above), and return to your original gross salary.

22. I currently receive tax credits. Will joining the SSSCAVC Scheme affect my entitlement to tax credits?

The tax credit calculation is based on your taxable (P60) income. By signing up to the SSSCAVC Scheme, your taxable income will be reduced and therefore your tax credit entitlement may change. Given the complexities involved in calculating entitlement to tax credits, we recommend that if you have any queries you go to: **https://www.gov.uk/topic/benefits-credits/tax-credits** for more information or contact HMRC.

23. I am currently repaying a student loan which is based on a percentage of my earnings over the approved threshold. Will this alter?

Yes, it will alter as the student loan repayments are calculated on the salary on which you are liable to pay NICs. Under the SSSCAVC Scheme your total gross salary on which NICs is paid will reduce, hence your loan repayments will decrease. You should bear in mind that any decrease in your loan repayments will result in you repaying for an additional time period.

24. Will participating in the SSSCAVC Scheme impact on any contribution-based benefits?

If entering the SSSCAVC Scheme means that your gross pay is less than the annual Lower Earnings Limit (LEL) for NICs, it may affect your eventual entitlement to the Basic State Retirement Pension and you may lose entitlement to certain other benefits. Therefore, if your weekly pay is less than the LEL of £120 per week, or £6,240 per annum, you be unable to participate in the SSSCAVC Scheme.

25. Can I participate in any other salary sacrifice arrangements provided by the University?

The University currently provides an opportunity for employees to participate in other salary sacrifice arrangements such as Cycle to Work. You may participate in more than one, but, if by increasing your salary sacrifice amount, your earnings fall below the National Living/Minimum Wage, you will need to consider which scheme(s) to join. Alternatively, where you have the option, you can vary the salary sacrifice amount to maintain your salary above the National Living/Minimum Wage levels. Please see the contact details below if you require any further information as to how this may affect you individually and the options available to you.

26. Can I withdraw from the SSSCAVC Scheme?

Normally, under the terms of a salary sacrifice agreement, once you enter, cancellation will not be permitted for a minimum 12 month period. This is the case with the SSSCAVC Scheme; however, the University may permit cancellation in this period where there has been a 'lifestyle change' which means change in circumstances as a result of which the arrangements are no longer suitable. This may include the following:

- Parental or Adoption leave
- Long-term sickness

- Change of work location
- Bereavement

To opt-out of the SSSCAVC Scheme, you must complete and return a **Cancellation Form** to payrolldept@lincoln.ac.uk stating the effective date and the reason for the early termination. A variation of the SSSCAVC Scheme contribution will be permitted at any time, subject to completion of the appropriate Prudential Form. Please see Q12 for details of how to change your SSSCAVC Scheme contribution amount.

If you opt-out of the SSSCAVC Scheme the contributions paid into your AVC fund by the University and your monthly £1 contribution will cease. In this event, your AVC fund will remain invested and Prudential will continue to deduct any annual management charges.

Although you have withdrawn from the SSSCAVC Scheme, you can still make AVCs through the standard LGPS AVC Scheme. In this event, you will need to contact Prudential to re-apply to join the LGPS AVC Scheme. If you wish to resume your participation in the SSSCAVC Scheme, you must contact Prudential on **0800 731 0466** and payrolldept@lincoln.ac.uk to confirm acceptance of the salary sacrifice arrangement.

27. What happens if I leave my employment with the University or I leave the main LGPS?

If your employment with the University terminates for whatever reason, your entitlement to participate in the SSSCAVC Scheme will cease immediately and all contributions will cease.

If you have LGPS membership of two years or more, your AVC plan will remain invested and will be available to provide you with additional benefits on retirement. Please note: Prudential may continue to deduct charges to cover the cost of managing your plan in the intervening period. Alternatively, you are able to transfer all your local government AVC benefits, including any local government AVCs held with other employers, to any other pension scheme of your choice that will accept the transfer.

If you have less than two years LGPS membership on leaving employment with the University, you can choose to receive a refund equal to the realisable value of your AVC plan. Please note that the value of the AVC fund will reduce to take into account the tax relief you will have benefitted from during the period that contributions were made.

28. Where can I get more information about my AVCs?

For more details about AVCs please go to: https://www.pru.co.uk/rz/localgov/

29. What else do I need to know?

These FAQs and other information provided by the University explain how AVCs and contributions paid under the SSSCAVC Scheme are treated for tax and national insurance purposes. It is important that you read the Key Facts literature provided by Prudential to ensure you understand ALL the features and terms before deciding whether additional voluntary contributions, including the SSSCAVC Scheme, is right for you. The Key Facts document is available at **https://www.pru.co.uk/pdf/LAVK0846.pdf**

30. Who should I contact at the University if I need any further information about the SSSCAVC Scheme?

Please contact payrolldept@lincoln.ac.uk in the first instance.

PRUDENTIAL

KEY DIFFERENCES AND IMPACTS OF MOVING FROM STANDARD AVC TO THE SSSCAVC SCHEME SALARY SACRIFICE SHARED COST AVC

COLUMN A **Subject**	**COLUMN B** **AVC plan commenced prior to 13th November 2001**	**COLUMN C** **AVC Plan commenced after 13th November 2001 and prior to 1st April 2014**	**COLUMN D** **AVC Plan commenced on, or after, 1st April 2014**
Prudential Proposition			
With Profits (MVR free guarantee date)	65	65	State Pension Age (subject to minimum of age 65)
Exit Charge (if applicable)	n/a	1% charge applied if funds withdrawn within 3 years of first contribution being received by Prudential	• First contribution received before 19/03/17 - 1% charge if funds withdrawn within 3 years of first contribution being received by Prudential • First contribution received on, or after 19/03/17 – no exit charge
Lifestyle Option (target date for taking benefits)	Selected Retirement Age Or 65 (if no age selected)	Selected Retirement Age Or 65 (if no age selected)	Selected Retirement Age Or State Pension Age (if no age selected)
Life Cover (age cover ceases)	65	65	State Pension Age (subject to minimum of age 65)
Scheme Regulations			
Scheme AVC Limit	50% of pensionable pay	50% of pensionable pay	No specific limit however contributions must be supported by pay after other deductions
Definition of pensionable pay Note 1	Fixed pay and contractual overtime	Fixed pay and contractual overtime	Includes fixed pay and all overtime
Normal Pension Age for AVC purposes Note 2	65	65	State Pension Age (subject to minimum of age 65)
Taking AVC benefits	AVC fund can be taken with main scheme benefits or at a later date up to age 75	AVC fund can be taken with main scheme benefits or at a later date up to age 75	AVC fund MUST be taken with main scheme benefits, unless the AVC has been independently transferred to another pension arrangement

Use of AVC to purchase additional LGPS pension	Deferred members CANNOT buy additional LGPS pension with AVC fund value	Deferred members CANNOT buy additional LGPS pension with AVC fund value	Deferred members MAY use AVC fund value to purchase additional LGPS pension
Use of AVC to purchase additional LGPS pension and/or survivor benefits		Eligible member can buy self and/or survivor pension (rates differ for post 31/03/2014 plans)	Additional pension bought with AVC fund value automatically includes survivor benefits (rates differ for pre 01/04/2014 plans)
Use of AVC to purchase additional LGPS service	Member has right to buy additional membership in certain circumstances (flexible or ill health retirement and ceasing payment of AVCs before retirement)	No right to buy additional scheme membership	No right to buy additional scheme membership
PCLS (tax-free cash) from AVC	Up to 100%, subject to HMRC restrictions	Up to 100%, subject to HMRC restrictions	Up to 100%, subject to HMRC restrictions
AVC Benefits on flexible retirement	Member must take AVC benefits on flexible retirement	All, or none, of the AVC plan must be taken on flexible retirement	All, or none, of the AVC plan must be taken on flexible retirement.
AVC Death Benefits	Regulations silent on treatment but Administering Authorities instructed to make payment to LPR	Regulations silent on treatment but Administering Authorities instructed to make payment to LPR	Administering Authorities have full discretion
AVC Life Cover contributions where member is on reduced pay	Right to pay by cheque	Right to pay by cheque	No right to pay by cheque
Aggregation	No requirement for AVC to be aggregated where main benefits are aggregated	No requirement for AVC to be aggregated where main benefits are aggregated	AVC automatically aggregated where main scheme benefits are aggregated but members who were in the scheme on both 31/03/2014 and 01/04/2014, and who have no continuous break in service in a public service pension scheme, can elect that their AVC benefits are NOT automatically aggregated.

Note 1: Definition has potential to impact members who pay AVCs as a % of pensionable pay. Where plans are moved from a pre-01/04/14 basis to a post-31/03/14 basis, the change will mean that contributions are calculated on pay including non-contractual overtime.

Note 2: Normal Pension Age (NPA) for AVC purposes impacts how some of Prudential's policy terms apply. For pre- 01/04/14 plans NPA is age 65, while for post 31/03/14 plans NPA is the member's State Pension Age subject to a minimum of age 65. This has the following specific impacts;

- for AVC members invested in the With-Profits fund, it is guaranteed that a Market Value Reduction (MVR) won't apply at the member's AVC NPA.
- for AVC members who are invested in a Lifestyle profile, automatic de-risking of assets targets a member's AVC NPA where the member has not chosen a Selected Retirement Age (SRD)
- for AVC members with life cover, this will automatically cease at age 65 for pre-01/04/14 plans and will cease at the member's State Pension Age (subject to a minimum of age 65) for post 31/03/14 plans

Example Scenarios

There are four potential scenarios relating to members, who are already making AVCs, moving to the Salary Sacrifice Shared Cost AVC arrangement. These scenarios, together with key implications, are detailed below;

Scenario 1: Member aggregates benefits and original plan started before 1st April 2014

- the member will have one plan, a "Salary Sacrifice Shared Cost AVC" (SSSCAVC) plan, which will be subject to the regulations and Prudential proposition detailed in Column D (see table). For the avoidance of doubt, Column D will apply to both the accrued funds under management and to future contributions
- if a Selected Retirement Age was chosen under the old plan this will be carried over unchanged to the combined new plan
- the AVC Normal Pension Age will be the individual member's State Pension Age (subject to a minimum of age 65) – this could be later than under the old plan
- investment fund selections will be carried over from the old plan unchanged – members should be reminded they have the opportunity to redirect future contributions, or switch existing investments, at any time
- if invested in With-Profits, any bonus history will be carried over and continue uninterrupted
- if invested in With-Profits, the Market Value Reduction (MVR) free guarantee date will be AVC Normal Pension Age – this could be later than under the old plan
- if invested in a Lifestyle option any Selected Retirement Date (SRD)chosen by the member will be carried over to the new plan meaning that the de-risking glide path will continue to target the same date. In the absence of a SRD, if the member's AVC Normal Pension Age is later than under the old plan, the Lifestyle "target date" will be changed to align with the AVC Normal Pension Age of the new SSSCAVC plan.
- any exit charge will continue to be based on the first contribution received under the old plan, i.e. contribution history will be carried over to the new plan
- if Life Cover is included, there will be no requirement for further underwriting if the term of cover has been extended due to a change in the AVC Normal Pension Age
- the member will receive one Annual Benefit Statement each year in respect of the combined benefits

Scenario 2: Member aggregates benefits and original plan started on, or after, 1st April 2014

- the member will have one plan, a "Salary Sacrifice Shared Cost AVC" (SSSCAVC) plan, which will be subject to the regulations and Prudential proposition detailed in Column D (see table). For the avoidance of doubt, Column D will apply to both the accrued funds under management and to future contributions
- if a Selected Retirement Age was chosen under the old plan this will be carried over unchanged to the combined new plan
- the AVC Normal Pension Age will continue to be the individual member's State Pension Age (subject to a minimum of age 65)
- investment fund selections will be carried over from the old plan unchanged – members should be reminded they have the opportunity to redirect future contributions, or switch existing investments, at any time
- if invested in With-Profits, any bonus history will be carried over and continue uninterrupted
- if invested in With-Profits, the Market Value Reduction (MVR) free guarantee date will continue to be AVC Normal Pension Age
- if invested in a Lifestyle option the de-risking glide path will continue to target the same date. This will be the Selected Retirement Date (SRD) if chosen by the member or, in the absence of a SRD, the member's AVC Normal Pension Age.
- any exit charge will continue to be based on the first contribution received under the old plan, i.e. contribution history will be carried over to the new plan
- the member will receive one Annual Benefit Statement each year in respect of the combined benefits

Scenario 3: Member does not aggregate benefits and their original plan started before 1st April 2014;

- the member will have two plans – a "Salary Sacrifice Shared Cost AVC" (SSSCAVC) plan and a "Standard AVC" plan
- the "Salary Sacrifice Shared Cost AVC" plan will be subject to the regulations and proposition detailed in Column D (see table)
- the "Standard AVC" plan will be subject to the regulations and proposition detailed in Column B (if set up prior to 13th November 2001) or Column C (if set up between 13th November 2001 and 31st March 2014) - see table
- if a Selected Retirement Age was chosen under the old plan this will be carried over and replicated under the new SSSCAVC plan
- the AVC Normal Pension Age for the new SSSCAVC will be the member's State Pension Age (subject to a minimum of age 65) – this could be later than under the old plan and result in the two plans having different AVC Normal Pension Ages
- investment fund selections will be carried over and replicated under the new plan
- if invested in With-Profits, bonus history will be accrued, and applied, independently under both plans
- if invested in With-Profits, the Market Value Reduction (MVR) free guarantee date will be AVC Normal Pension Age applicable to each plan independently – this could mean that the two plans could have different MVR free guarantee dates
- if invested in a Lifestyle option, and the member does not have a SRD, where the AVC Normal Pension Age is later than under the old plan, the Lifestyle "target date" in respect of the new

SSSCAVC plan will be changed to align with this and could mean that the two plans will have different Lifestyle “target dates”. Where the member does have a SRD on record in respect of the old plan, this will be mirrored in the new SSSCAVC so profiles under both the old and the new plan will de-risk to the same target SRD

- ongoing contributions will be paid to the new “Salary Sacrifice Shared Cost AVC” plan
- contributions to the old “standard” AVC plan will cease
- the member will receive two Annual Benefit Statements each year in respect of their AVCs under the relevant employment

Scenario 4: Member does not aggregate benefits and their original plan started on, or after,1st April 2014

- the member will have two plans, a “Salary Sacrifice Shared Cost AVC” (SSSCAVC) plan and a “Standard AVC” plan, both of which will be subject to the regulations and proposition detailed in Column D (see table)
- if a Selected Retirement Age was chosen under the old plan this will be carried over and replicated under the new plan
- the AVC Normal Pension Age for both plans will be the individual member’s State Pension Age (subject to a minimum of age 65)
- investment fund selections will be carried over and replicated under the new SSSCAVC plan
- if invested in With-Profits, bonus history will be accrued, and applied, independently under both plans
- if invested in With-Profits, the Market Value Reduction (MVR) free guarantee date for both plans will be the individual member’s AVC Normal Pension Age
- if invested in a Lifestyle option, and the member does not have an SRD, the Lifestyle “target date” in respect of both plans will be the AVC Normal Pension (i.e. their State Pension Age). If the member has a SRD, this will be mirrored in the new SSSCAVC so profiles under both the old and the new plan will de-risk to the same target SRD
- ongoing contributions will be paid to the new “Salary Sacrifice Shared Cost AVC” plan
- contributions to the old “standard” AVC plan will cease
- any exit charge will be calculated based on the date the first contribution was received under the old plan and will be applied to both plans
- the member will receive two Annual Benefit Statements each year in respect of their AVCs under the relevant employment

Salary Sacrifice Shared Cost AVC (SSSCAVC) Scheme Application Form

In order to complete your application to join the SSSCAVC Scheme, you must complete and return this Application Form to confirm your agreement to enter the salary sacrifice arrangement.

Personal Details

Full name	
Payroll Number (this will be on your payslip)	
Department/College	
Email Address	

Declaration of Agreement

- I apply to join the SSSCAVC Scheme, under the Terms and Conditions as shown on the reverse of this form.
- I agree that the University of Lincoln may reduce my annual gross salary by an amount equal to all but £1 of my requested total AVC amount.
- I understand that, in return for the reduction in my salary, the University will provide me with the benefit of AVCs and contribute the stated amount into my AVC fund.
- I agree that in addition to the reduction in my salary, the University will deduct £1 per month from my salary.
- I confirm that I have read and understand the Terms and Conditions of the SSSCAVC Scheme and “Frequently Asked Questions” information.
- I understand that some salary-related benefits, such as statutory maternity pay, may be affected by my participation in the SSSCAVC Scheme.
- By signing this Application Form, I consent to vary the Terms and Conditions of my employment and agree to abide by the conditions of the SSSCAVC Scheme.

Signed		**Date**	

Terms and Conditions

By entering the SSSCAVC Scheme, you acknowledge that it constitutes a formal variation to the Terms and Conditions of your employment in accordance with the provisions of the Employment Rights Act 1996. These Terms and Conditions constitute your agreement to enter the University of Lincoln's SSSCAVC Scheme and authorise us to adjust your salary accordingly.

Once you have entered the SSSCAVC Scheme, the arrangement will continue for a minimum 12 month period. During this period, the salary reduction will be applied in equal monthly instalments and will continue as long as your employment income is sufficient to support the salary sacrifice arrangement.

The SSSCAVC Scheme
The University will contribute to your AVC fund in return for your agreement to reduce your salary by an amount equivalent to the contribution.

In addition, you agree to pay £1 per month into the AVC fund as your contribution to the shared cost AVC arrangement. This contribution will be deducted from your gross salary.

Eligibility
All employees of the University that are members of the LGPS are eligible to join the SSSCAVC Scheme. This includes part-time and fixed term employees.

If by sacrificing salary, your earnings fall below the National Minimum/Living Wage, you will be unable to participate in the SSSCAVC Scheme.

Changes in your circumstances
If your employment with us terminates for whatever reason, your entitlement to participate in the SSSCAVC Scheme will cease.

Normally, once you enter the Scheme, you will not be permitted to opt-out for a minimum 12 month period. However, the University may allow you to opt-out in this period where there has been a change in your circumstances or an event happens that means the arrangements are no longer suitable. Examples of changes include: pregnancy and long term sickness. To opt-out of the Scheme, you must complete and return a Cancellation Form.

Absence from work
The salary sacrifice and benefit arrangements will continue during any period of maternity, paternity, adoption, parental or sick leave as long as your employment income is sufficient to support the salary sacrifice arrangement. If at any point your employment income is insufficient or your entitlement to paid leave cease, it will not be possible to continue the salary sacrifice arrangement and the contributions paid into your AVC fund will cease. The salary sacrifice will resume once your employment income is sufficient to support the salary sacrifice arrangement.

Salary-based benefits
Occupational benefits related to your salary, for example, overtime and incremental payments will not be affected by the salary sacrifice arrangement. You should note that any statutory benefits such as Statutory Sick and Maternity Pay and Tax Credits, may be affected.

Salary Sacrifice Shared Cost AVC (SSSCAVC) Scheme Cancellation Form

Normally, you will not be permitted to opt-out of the Scheme for the 12 month period following entry into the Scheme. However, the University may allow you to opt-out in this period where there has been a 'lifestyle change' such as pregnancy or long-term sickness. In these circumstances, you must complete and return this Cancellation Form.

Full name	
Payroll Number	
Department/College	
Email Address	

Confirmation of opt-out

- I wish to opt-out of the SSSCAVC Scheme
- I understand that my salary will revert to its Notional Salary once the opt-out process is complete.
- I understand that my participation in the SSSCAVC Scheme and the provision of AVC contributions will cease simultaneously.
- I accept that opting out of the SSSCAVC Scheme and ceasing AVC contributions may affect the AVC Pension benefits I receive when I retire.

Reason for cancellation

Signed		**Date**	