



Unite Pension Scheme (the Scheme) Information on Additional Voluntary Contributions (AVCs)

Why pay AVCs?

AVCs are a way of improving your pension and tax-free cash sum, and can be particularly useful if:

- You have gaps in your career where you were not earning any pension; and/or
- You would like to retire early and offset some of the early retirement reduction.

AVCs work in a different way to your main Scheme pension and are similar to ‘defined contribution’ or ‘money purchase’ pension plans. The amount you choose to pay goes into an individual account set up on your behalf, and you can pay them regularly every month, with the freedom to change, stop or re-start contributions at any time on one month’s notice to the Trustee.

If you prefer, you can also pay AVCs as ‘one off’ amounts, instead of committing to a regular monthly contribution. You can then decide how you want to invest this account by choosing from the options available.

The money you build up can then be used to provide part or all of your tax-free cash in the Scheme when you retire (subject to the consent of the Trustee and the Union), or you can use it to buy an annuity or transfer the money to another pension arrangement.

By paying AVCs, you can benefit from the following:

- **Flexible saving** – You can pay AVCs regularly every month, with freedom to change, stop or re-start them at a month’s notice. If you prefer, you can also pay AVCs as “stand-alone” amounts instead of committing to a monthly contribution.
- **Tax relief** – AVCs receive the same tax treatment as your main Scheme contribution, i.e. you receive tax relief at the full marginal rate on your contribution (subject to the annual allowance restriction, if this applies to you). For example, if you chose to pay £100 a month into your AVC policy, the net cost (reduction in your pay) to a basic rate taxpayer would be £80.
- **National Insurance savings** – The Union permits members to pay regular AVCs through salary sacrifice and receive National Insurance savings. This works in the same way as the salary sacrifice arrangement for your main Scheme contributions and is described in more detail below.

How does salary sacrifice work?

Salary sacrifice is a way of arranging pension contributions so that you and the Union pay lower National Insurance Contributions.

You decide your contribution level and agree with the Union that contractually this is not part of your direct pay but is a form of benefit in kind (i.e., you give up – or “sacrifice” – the same amount from your salary). The Union then pays these contributions directly into the Scheme along with its own contribution.

Overall, this means that the contribution to the Scheme is the same. The only difference is that your pension contribution never becomes part of your pay. As a result, your take home pay will go up slightly, because you only pay National Insurance on the salary you actually receive. (The Union makes a similar saving because it only has to pay National Insurance on the salaries its employees actually receive).

Salary sacrifice only affects contributions, not benefits in the Scheme. The Union keeps a record of your salary before you give up the contribution amount and uses this higher figure to work out your pension and cash sum, or any ill-health or death benefits payable. It will also supply the higher salary amount if you need a quotation for a loan or mortgage application.

Most people benefit from taking part in salary sacrifice, although if someone is a relatively low earner (for example, working a small number of hours part-time), the following issues may arise:

- You cannot take part in salary sacrifice if it will take your pay below the National Minimum Wage or National Living Wage, if aged 25 or over.
- Your National Insurance payments go towards your State benefits, including statutory maternity and sick pay, as well as pension. Paying lower National Insurance could reduce your entitlement to these benefits.

The Union checks for these situations and will contact you if you are likely to be affected.

What are the benefits of Legal & General (L&G) AVCs?

The AVC arrangement which is administered by L&G offers the following benefits:

- Charges start from 0.45% of the fund value each year
- A suitable range of funds are available to members (see below)
- Online access to monitor and manage your fund

What are the investment options?

Members have variety of ways in which they can take their benefits at retirement due to the pension freedoms introduced in 2015. Historically, most members have taken their AVCs as part of the overall tax-free cash lump sum available at retirement from the Scheme, and it is expected that this will continue.

The Trustee has chosen investment options to reflect this expectation but also to provide choice to members who wish to do something different.

Lifestyle Fund

The Trustee has selected a Lifestyle Fund with L&G that assumes your AVCs will be taken as a cash sum at retirement. Under this option, the investment allocation will be automatically adjusted as you approach retirement, eventually investing wholly in a cash fund. It is designed to reduce risk as your retirement draws near, so that there is less chance that the cash sum you expect to receive will be affected by market movements close to retirement.

Alternative lifestyles

Under the L&G AVC arrangement, there are alternative lifestyle funds available that target alternative benefits as you approach retirement (i.e., for members not wanting to take their AVCs as tax-free cash but who may look instead to purchase an annuity or draw down their fund in retirement). Please note, however, that if you wish to draw down your AVCs, you will need to transfer them to another pension arrangement that offers this option when you retire.

Self-select funds

The Trustee has taken advice from First Actuarial to elect a range of suitable investment funds to make available to members looking to manage their own investments.

A brief explanation of each of the funds is provided in the attached investment factsheet along with details of each fund's fee and its risk rating (as determined by L&G).

You can choose to invest entirely in one of the funds listed in the investment factsheet or to split your AVC fund across several of the funds. *Note though that it is not possible to combine a lifestyle fund with any other fund; if you wish to invest in a lifestyle fund, all of your AVC fund must be invested in it.*

What do I need to do?

After having read the information in this pack, in particular the investment factsheet, there are some key decisions for you to make:

1. Do you want to begin making AVCs, make changes to your regular AVC contributions or to start using salary sacrifice?

If the answer is yes, then you need to complete the "AVC Form" on the AVC section of the Unite Pension Scheme site, indicating how much you wish to contribute and whether you want to use the salary sacrifice arrangement.

2. Which of the investment options will you choose?

You will need to complete the "Investment Options for my AVCs Form" on the AVC section of the Unite Pension Scheme site, indicating your investment choice from the following: Lifestyle Fund, alternative lifestyles and self-select funds.

If you do not complete Form B, the Trustee will invest your AVCs in the default Lifestyle Fund. Once your policy has been set up with L&G, you will be able to view your fund(s) online and make changes to the way you are invested.

Helping you understand your choices

The Trustee and its advisers are not authorised to give you advice about your personal finances. This announcement does not seek to give any sort of advice. If you are at all uncertain about anything to do with your AVC contributions or existing AVC arrangement(s), you should consider taking independent financial advice.

Websites such as www.unbiased.co.uk or www.moneyadvice.service.org.uk can help you find an adviser in your area. Remember to check that whoever you speak to is properly qualified and ask about what they will charge you for the advice before seeing them.

If you have any questions about the content of this announcement, or about the Scheme in general, then please contact the First Actuarial administration team on 0161 348 7498 or at unite.pensions@firstactuarial.co.uk.

For and on behalf of the Trustee of the Unite Pension Scheme.

This announcement reflects current legislation which may be subject to change. We cannot guarantee that any future changes to tax legislation will not have retrospective effect.

Investment Factsheet
AVC arrangement – Legal & General

Investment options							
Provider name	Legal & General						
Type of arrangement	Unit-linked funds only						
Funds available	<table border="0"> <tr> <td> Default Lifestyle <ul style="list-style-type: none"> • Cash </td> <td> Multi-asset <ul style="list-style-type: none"> • Multi-asset • Retirement income multi-asset </td> </tr> <tr> <td> Alternative Lifestyles <ul style="list-style-type: none"> • Annuity • Drawdown </td> <td> Gilts <ul style="list-style-type: none"> • Pre-retirement • Over 5 Year Index Linked Gilts Index Fund </td> </tr> <tr> <td> Equities <ul style="list-style-type: none"> • Global Equity 50:50 • Ethical Global Equity • World Emerging Markets Equity </td> <td> Other funds <ul style="list-style-type: none"> • Property • Cash </td> </tr> </table>	Default Lifestyle <ul style="list-style-type: none"> • Cash 	Multi-asset <ul style="list-style-type: none"> • Multi-asset • Retirement income multi-asset 	Alternative Lifestyles <ul style="list-style-type: none"> • Annuity • Drawdown 	Gilts <ul style="list-style-type: none"> • Pre-retirement • Over 5 Year Index Linked Gilts Index Fund 	Equities <ul style="list-style-type: none"> • Global Equity 50:50 • Ethical Global Equity • World Emerging Markets Equity 	Other funds <ul style="list-style-type: none"> • Property • Cash
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Type of arrangement

All of the funds above are unit-linked. This means your contributions buy units in the funds that you have chosen to invest in. The price of the units in each fund depends on the value of the underlying investments. L&G works out the value of your personal account based on the total number of units you have in each fund and the unit price on any particular day.

As the unit prices fall or rise, so will the value of your AVC investments. The value of your AVC investments is not guaranteed and could fall below the amount paid in.

Further information on investment options

The Trustee has taken advice from First Actuarial to select the above range of funds for you to choose from. Further information about each of the funds is provided below, along with the charges and the risk rating of the fund (as set out by L&G). You should consider the level of risk you are prepared to take before you select your fund(s).

Fund	Risk (1 = low, 5 = high)	Charges p.a.
<p>Global Equity Fixed Weight 50:50 Index Fund</p> <p>This fund predominantly invests in shares which track appropriate indices with a 50% emphasis on those from within the UK and 50% from outside the UK.</p>	4 Upper	0.47%
<p>Ethical Global Equity Index Fund</p> <p>This fund predominantly invests in global shares which track the FTSE4Good Global Equity Index. The standards used for this fund mean that it cannot invest in some companies or in certain market sectors, for example tobacco or mining.</p>	5 Lower	0.67%
<p>World Emerging Markets Equity Fund</p> <p>This fund predominantly invests in overseas shares which track the performance of the FTSE Emerging Index i.e. shares in less developed economies.</p>	5 Upper	0.82%
<p>Multi-Asset Fund</p> <p>This fund aims to deliver over the medium term a total return which exceeds the Bank of England's Base Rate.</p> <p>It will invest principally in fixed interest stocks (corporate and government bonds), UK and overseas equities (shares), units in collective investment schemes, cash and near cash, money market instruments and deposits.</p> <p>It may also hold indirect exposure to alternative asset classes such as commodities or property.</p>	4 Lower	0.50%
<p>Retirement Income Multi-Asset (RIMA) Fund</p> <p>The investment objective of the Fund is to provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income. The Fund invests globally in a range of different asset classes using both index tracking and actively managed funds.</p>	3 Upper	0.67%
<p>Pre-Retirement Fund</p> <p>This fund aims to provide diversified exposure to UK assets (bonds and gilts) that reflect the broad characteristics of investments underlying the pricing of a typical non-increasing annuity.</p>	3 Upper	0.49%
<p>Over 5 Year Index Linked Gilts Index Fund</p> <p>This fund aims to track closely the performance of the FTSE A index-linked (Over 5 Year) Index by investing mainly in UK Government index-linked securities.</p>	3 Upper	0.45%

Fund	Risk (1 = low, 5 = high)	Charges p.a.
<p>Property Fund</p> <p>This fund aims to achieve the long-term growth by investing in a diverse portfolio of UK commercial properties.</p> <p>Please note that the fund manager has the right to delay disinvestments from this fund for up to 12 months if market conditions make it hard for the manager of the fund to sell properties at a fair price.</p> <p>Please also note that property fund valuations can move quite sharply, either due to updated valuations of individual properties (which are a matter of an independent valuer's opinion rather than fact) or as a result of a change in the fund's valuation methodology.</p>	4 Lower	1.12%
<p>Cash Fund</p> <p>This fund aims to generate a return similar to that which you would earn in a bank account, by investing in a range of short term deposits and financial instruments</p>	2	0.47%

Selected retirement age

Your policy will normally be established on the assumption that you will take your AVCs at your Normal Retirement Age under the Scheme i.e. age 63. This may not be the age you intend to retire or the age at which you expect to access your AVCs. You can therefore select an alternative retirement age and inform Legal & General of this once your policy has been set up.

Further information

Further information is also available on the Scheme website at www.unitepensions.org.

This factsheet does not seek to give any sort of advice. If you are at all uncertain about anything to do with your AVC arrangements, you should consider taking independent financial advice.

Legacy AVC holders

For information on the legacy AVC arrangements, please view the 'Legacy AVC Arrangements' part of the AVC section of the Scheme Website at www.unitepensions.org.