

## ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

### Investing your AVCs

The Trustees have set up an AVC arrangement with Prudential that offers a choice of investments. You can choose between the following funds:

- Cash Fund
- Long Term Bond
- Index-Linked Fund
- Schroder Dynamic Multi-Asset Fund
- BlackRock Aquila (30:70) Global Equity Index Fund
- Ethical Fund

From 31 May 2017, the Deposit Fund will no longer be available to all AVC members. Only existing members with monies in the Deposit Fund are able to make additional contributions into the Deposit Fund.

Each type of investment carries a different level of risk (the risk levels shown are how Prudential rates the funds). Where funds are described as low risk, the value of your AVCs is less likely to fall than in the higher risk funds. Generally, the lower the risk, the lower the potential return.

The Trustees may change the AVC provider and investment choices from time to time. In exceptional circumstances, they may also switch members' accumulated AVCs to an alternative arrangement.

Prudential's Unit-Linked funds are invested directly in one or more of company shares, government securities and commercial property. Your AVCs buy units in your chosen fund and the price of those units depends on how well the fund's investments are doing. This means that unit prices can go down as well as up.

The Unit-Linked funds carry an annual management charge (expressed in %) which is deducted from the value of your AVC fund based on the amount of assets you hold in that AVC fund. The current charges are shown after the description of each fund.

#### Cash Fund – minimal risk

This fund invests in interest-bearing securities, as well as short-term UK government bonds and bills and Certificates of Deposit. It aims to outperform the London Interbank LIBID 7 Day Deposit Rate. *Management charge – 0.55%<sup>^</sup>*

<sup>^</sup> As stated above, the management charge is deducted from the value of your AVC fund every year.

<sup>^^</sup> The minimal risk category is provided by Prudential and is relative to other funds in their AVC fund range. It is possible that the Cash Fund can deliver a negative return after management charges have been deducted from your value in the Cash Fund.

#### Long Term Bond – medium risk

This fund invests via other M&G PP funds in bonds, split between long-term government bonds (gilts) and high corporate bonds. The split between government and corporate bonds may be reviewed from time to time. It aims to match the performance of the benchmark as closely as possible before retirement. *Management charge – 0.65%*

#### Index-Linked Fund – medium risk

This fund invests mainly in UK government index-linked gilts, typically with over five years to maturity. Its aim is to produce steady returns that keep pace with UK inflation and with a medium level of risk. *Management charge – 0.75%*

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### **Schroder Dynamic Multi-Asset Fund – lower to medium risk**

This fund invests in a mixture of asset classes, other managed funds and market indices. Its aim is to deliver positive returns exceeding UK inflation over a full market cycle.

*Management charge – 1.00%*

### **BlackRock Aquila (30:70) Global Equity Index Fund – medium to higher risk**

This fund invests in the shares of companies around the world (30% in the UK and 70% overseas). It aims to achieve long-term capital growth.

*Management charge – 0.80%*

### **Ethical Fund – Higher risk**

This fund invests in the shares of UK companies that meet a set of ethical and environmental investment criteria.

*Management charge – 0.75%*

### **How your AVC fund is paid**

When you take your Plan pension, you can take your fund from your AVC's, as tax-free cash (subject to overall inland revenue limits) or you can use the fund to provide additional pension benefits. You can choose the benefits you want such as extra pension for yourself, or benefits for your dependants. Any pension will be paid from the Plan, your AVC fund being converted into benefits at a rate advised by the Plan actuary.

Alternatively, you can use the value of your AVCs to buy a pension, known as an annuity, on the open market. Further details will be provided when you retire.

As a deferred pensioner, your AVCs will remain invested and will be available when you take your Plan benefits, or transfer to another arrangement. You should note that it is possible to transfer your AVC to another approved arrangement without transferring your main scheme benefits.

If you die before you take your pension, the Trustee will pay the value of your AVC fund to your dependants, taking account of your Expression of Wish form.

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### Keeping up to date on your AVCs

You will receive a separate AVC statement once a year. This will show how much you have paid and how the value of your AVC fund has changed.

Neither the Trustee nor the Plan Administrator can give advice on how you should invest your AVC fund. If you feel you need help deciding what would be your best option, you may wish to contact an independent financial adviser. You will find independent financial advisers listed in your local telephone directory or online at [www.ifap.org.uk](http://www.ifap.org.uk)

### More Information

The contact details of the Pensions Administrator are shown below. You should also notify them of any changes to your personal circumstances, such as a change of address.

**Scottish & Newcastle Pension Plan**  
**Capita Hartshead House**  
**2 Cutlers Gate**  
**Sheffield S4 7TL**

**Email: [snpensions@capita.co.uk](mailto:snpensions@capita.co.uk)**  
**Pensioner Payroll Helpline: 0345 600 3260**  
**Deferred pensioners, by phone: 0345 600 2086**  
**Web: [www.snpensions.com](http://www.snpensions.com)**