Additional Voluntary Contributions (AVCs) Guidance

You can increase your pension by purchasing additional pension through paying additional voluntary contributions (AVCs).

How do Additional Voluntary Contributions boost my pension?

AVCs allow you to purchase additional pension that will be added to your Career Average Scheme benefits each year that you are paying AVCs. For example, if the AVCs you pay purchase £100 of additional pension annually this is the amount that would be added each year to the normal pension that you build up as a contributing member of the scheme.

The additional pension you purchase will be revalued each year with your main benefits.

AVC's can be used to increase your annual pension, or your lump sum should you decide to commute some of your pension on retirement or in employment. Payment of AVCs will also increase any survivor benefits and potential Ill-Health benefits that you may be entitled to.

The additional pension purchased through AVC's could also be used to offset any actuarial reduction you will incur if you plan to retire before your normal retirement age.

How can I pay Additional Voluntary Contributions?

There are three ways in which to pay AVCs in order to purchase additional pension:

- paying a regular fixed amount out of your monthly or weekly pensionable earnings (e.g. £20 per month/week)
- paying a singular fixed amount out of your monthly or weekly pensionable earnings (e.g. £500 in a single payment), or
- paying a set percentage of your monthly or weekly pensionable earnings (e.g. 5% per month/week).

You should note that if you decide to pay a set amount it is expected that it will buy a smaller amount of pension in future years because the rates are age-based. If you want to continue purchasing the same amount of pension each year, you will need to periodically review your annual AVC contribution by reviewing the AVC tables available on our website or from the Public Employees Pensions Team (PEPT). Each year you get closer to your Normal Pension Age the amount you pay will buy less and less additional pension.

If you pay AVCs as a percentage of your salary the amount of pension you purchase will automatically change each year in line with any changes to your contractual salary.

If you choose to pay by a regular fixed amount or by a fixed percentage from your pensionable earnings, you can choose to make an open-ended commitment to go on contributing every month until you leave, retire or decide to stop your AVCs arrangement.

What happens if I want to stop or change how much additional pension I want?

You can stop paying AVCs at any point. Though, if you do you will only be given the amount of additional pension based on the AVC that you have paid into the Fund.

If you decided to restart paying AVCs at a later date to purchase the further additional pension, the cost may be higher as you would be purchasing the contributions based on your age at the time.

If you die in service or leave employment then you will only be granted the amount of additional pension that you purchased up to the date of your death or leaving employment.

Can I use my AVCs to plan for early retirement?

You can use your AVCs to plan for an early retirement but you have to be aware that your AVCs will be affected by an actuarial reduction. As the calculation for the cost of purchasing additional pension is based on you retiring at your normal pension age, if you decide to retire early then the additional pension that you have built up will be reduced by a cost neutral amount in the same way as your normal pension for every year it is taken early.

If you are planning to retire before your normal pension age you may purchase additional pension which aims to offset the actuarial reduction that would apply to your main benefits.

'Cost Neutral' means a calculation by the Scheme Actuary which will not create a profit or loss to the Fund.

What happens if I want to retire after my normal retirement age?

You can only purchase AVCs through contributions up to the date of your normal pension age. If you wish to purchase additional pension through AVCs after your normal pension age then you will have to purchase them through a lump sum payment. Any additional pension that you have purchased through the AVC scheme will be actuarially increased for every year that you retire later than your normal pension age.

Are my pension benefits guaranteed?

Your AVC Benefits are not guaranteed. If the scheme is in deficit and the benefit package is unaffordable;-

- your AVC benefits may be revalued by less than Jersey RPI whilst you are in employment;
- your AVC pension may be increased by less than Jersey RPI whilst you are in retirement;
- your accrued AVC pension may be increased by less than Jersey RPI if you have left employment but not yet taken your pension;
- the terms of purchasing AVCs may change.

Your benefits are dependent on the financial position of the pension fund remaining satisfactory. The financial position of the pension fund is determined every 3 years when the Scheme Actuary undertakes an actuarial valuation.

What if I am Part Time?

Part time service will not affect your additional pension. The contributions are based on how much additional pension you want to purchase and the age at which you purchase it. The cost will be the same no matter how many hours or weeks you are working.

What about income tax relief and liability?

Under the current tax rules there is no limit on the amount of contributions a member can pay into the Scheme. However, there are limits on the amount of contributions that qualify for tax relief. For contributions to qualify for tax relief the contributions cannot exceed, in a year of assessment, whichever is the lower of:-

(i) £50,000 less the member’s “excess Income” if any; and

(ii) the members ”relevant earnings” in the year of assessment less the members’ “excess income”, if any

“excess income” means the amount by which a member’s “income” for a year of assessment exceeds £150,000. “Income” means the member’s total income for a year of assessment before the deduction of any of the following:

(i) Interest in respect of which the member is entitled to a marginal income deduction under Article 90AA of the Income Tax (Jersey) Law 1961 (as amended) ; and

(ii) The member’s total approved pension contributions

It is recommended that you should consult the Taxes Office to establish whether your payment of additional contributions will qualify for tax relief. You may also wish to contact an independent financial adviser to evaluate the additional cost of your contributions and the effect on your pension expectations.