



Superannuation & Life Assurance Scheme (the Scheme)

Information about the AVC arrangement with Prudential

Dear Member

Our records show that you may have made contributions to the Scheme's Additional Voluntary Contributions (AVC) arrangement. This is what is known as a Money Purchase (or Defined Contribution) arrangement, which is separate to the Scheme's standard benefits. Your AVCs are paid into an individual account and you can choose how your account is invested from one or more investment funds. This account is often referred to as your AVC account.

For this reason you may be interested in the major pension reforms announced in the Government's 2014 Budget (with further changes proposed in the 2015 Budget) introducing significant flexibilities for members of Money Purchase arrangements retiring from April 2015 onwards.

Because the Scheme is a defined benefit (DB) scheme, the changes do not affect your standard Scheme benefits. However, the flexibilities may apply to your AVC account.

In particular, from April 2015, when you retire from the Scheme you will be able to take all of your AVC account as a cash lump sum, provided you have reached age 55. As was already the case, 25% of the value of your standard benefits and AVC account can normally be taken tax free, with the balance being subject to income tax at the marginal rate of tax¹.

You may be able to take advantage of further flexibilities by transferring your AVC account to an alternative arrangement (e.g. if you wish to leave your pot invested so that you may draw from your fund flexibly through multiple 'withdrawals').

¹ Your marginal rate of tax is the highest rate at which you pay income tax, also known as your 'marginal income tax band'. You can find more information on income tax bands at the following website: www.moneyadvice.service.org.uk/en/articles/pensions-and-retirement-jargon-buster

In addition, you will continue to have the option of buying an annuity².

Please note that if your AVC account is currently invested in the 'With Profits Fund', transferring this to a different arrangement or changing your investment options before you retire may lead to a reduction to your account value. This is to protect the savings made by those investors who intend to remain in the Fund until retirement. **If you are considering moving out of the With-Profits Fund we strongly recommend you speak to an Independent Financial Advisor (IFA).** You can find a local IFA through the following website:

<https://directory.moneyadviceservice.org.uk>

These changes are discussed further in our recent briefing note 'Budget update and Scheme transfers', which gives a general overview of the headline changes.

For your information, please find enclosed an updated version of the Scheme's 'Factsheet 4 – Topping up your benefits' which sets out further information about the AVC arrangement including the investment funds you may choose to invest in and their associated charges.

The Scheme guide and full range of factsheets are available on the University website at:

www.abdn.ac.uk/staffnet/working-here/uaslas-210

The Trustees of the University of Aberdeen Superannuation and Life Assurance Scheme

² An annuity is a traditional pension in the form of regular income payments for the rest of your life.