

The United Reformed Church  
**Ministers' Pension Fund**

*A guide to*  
**Additional Voluntary Contributions**

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# A guide for members of the United Reformed Church Ministers' Pension Fund (URCMPF)

# Boosting your retirement benefits

Your basic pension from the URCMPF is based upon your years of service and the stipend in payment at the date of your retirement or earlier departure from service. The separate Members' Guide describes the scheme in more detail.

You may wish to increase these benefits by making additional savings. This guide outlines the different ways in which you may do this and describes in more detail one of those options: making Additional Voluntary Contributions (AVCs) to the URCMPF.

Please note that this document aims only to provide a general outline of how the URCMPF AVC arrangement operates and the benefits provided; hence much detail is omitted. It is based upon the Rules of the Fund and the formal decisions of the Pension Trustee on the operation of the AVC arrangement. Should there be any apparent conflict between this document and the Trust Deed and Rules, a copy of which may be obtained from the Maintenance of the Ministry Office, the Trust Deed and Rules shall govern.

## How can I boost my retirement benefits?

Paying extra contributions into a pension plan is a tax-efficient way of boosting your retirement benefits. Subject to the benefit limits (described below) you will be able to pay up to 100% of your taxable income into a scheme and receive tax relief on your contributions.

A straightforward way of doing this is to pay AVCs to the URCPMPF as described in this Guide.

## Other approaches to boosting retirement savings

There is a range of other investment and savings products available which might better suit your particular financial needs and circumstances.

For example, you can also benefit from the tax-efficiency of pensions through contributing to a separate tax-registered pension arrangement such as a personal pension scheme. These differ in a number of respects from the URCPMPF AVC arrangement.

You might also consider making savings that are not tied into your pension and so gain the option to withdraw money before retirement should this prove necessary. Several tax-efficient savings options such as Individual Savings Accounts (ISAs) may be used.

Using these alternative forms of investment will offer you greater investment choice, but will be subject to whatever charges are payable on that particular product and this will vary from one product and provider to another. However, as described below,

the URCMPF AVC arrangement bears all the costs of investment and administration. Investment returns reflect the performance of the Fund assets, smoothed over five years to reduce fluctuations.

*For personal advice you should consult an Independent Financial Adviser (IFA) about your best course of action*

*Please note that neither this Guide nor the Fund administrators offer financial advice. Care is taken to provide you with accurate information to help you make decisions but the Church is not responsible for the choices you make regarding your financial arrangements. For personal advice you should consult an Independent Financial Adviser (IFA) about your best course of action. You can find an IFA through [www.unbiased.co.uk](http://www.unbiased.co.uk)*

The remainder of this Guide is about the URCMPF AVC arrangement and does not discuss alternative savings approaches.



# Why pay AVCs?

AVCs may be particularly attractive to those who have breaks in pensionable service, or periods when they did not have access to a pension fund. Making additional contributions will increase the benefits payable at retirement.

They may also enable you to consider taking your pension early, by offsetting the reduction which is applied in cases of early retirement.

However, many people regard AVCs simply as a means of saving for retirement without the temptation of being able to draw on the funds before then.

You will often be able to take all or most of your AVC fund as tax-free cash at retirement, as explained below.

## What contributions may I make?

Your AVC contributions will be deducted from your stipend, you will receive tax relief at source, currently at the rate of 20%. If you have other income that makes you a higher rate taxpayer you may claim through self assessment to obtain full relief at your marginal tax rate.

You may make regular contributions each month by deduction from your stipend of either a fixed amount

or as a percentage of your stipend. The minimum contribution is £10 per month.

You may also make single contributions at any time, subject to a minimum of £100. These will be deducted from your monthly stipend, over several months if the sum exceeds one month's stipend. This can be an attractive option near to retirement, especially where the AVC Fund can then be taken as tax-free cash.

## **Can I vary the levels of contribution?**

You can start, vary or stop your contributions by giving one month's notice to the Fund administrators.

## **What happens if I am temporarily absent 'including maternity leave'?**

You may continue to make AVC contributions whilst you are in receipt of any amount of stipend, at any level. Alternatively, you may suspend contributions for as long as you wish.

## **May I transfer previous AVC funds from another Scheme to this arrangement?**

Transfers of any previous pension benefits into the Fund may, in some circumstances and with the Trustee's agreement, be made immediately prior to your pension being brought into payment in order to consolidate your pension provision. This transfer may contain any AVC funds held within another pension arrangement. It is the policy of the Trustee that transfers will not be received at any other time.

# How are my contributions invested?

The AVCs are invested on a “cash balance” basis, where your contributions receive an investment return every year. The resulting fund is available to provide your benefits.

The present AVCs “accumulate within the Fund at rates determined each year by the Pension Trustee in the light of the financial experience of the Fund and the advice of the Actuary”. The Trustee has decided that in determining these annual rates of return there should be some protection against the volatility of the investment markets. This is how it works:

- At the end of every calendar year the percentage investment return of the Fund over that year is calculated (the “Fund Return”). This may be positive or negative.
- An “Average Fund Return” is then calculated by taking the average of the Fund Return for each of the last five calendar years.
- If the Average Fund Return in any year is negative, it will be set to zero, thus protecting you from falls in investment markets. However, this adjustment may be recovered in future years as an offset against future positive Average Fund Returns.

- This Average Fund Return is applied to your AVC fund at the start of the year and your contributions during the year to determine the increase in your AVC fund for the calendar year.
- In the year that your benefits are taken, an adjusted rate of return will be applied.

Professional investment managers selected by the URC Investment Committee and the Trustee manage the Fund's investments. The investment policy adopted reflects the nature of the overall benefits that the Fund provides. At present this is broadly to invest 30% of the assets in Equities (company shares), 10% in Property and 60% in Index-Linked Gilts. By choosing the URCMPF AVC arrangement you are therefore effectively adopting this relatively cautious investment approach, with additional protection against falls in investment markets.

While past performance is not a guide to the future, the investment return credited to members' balances over the last five years, expressed as a percentage of the accumulated personal fund, has been as follows:

2013	9.41%
2014	10.24%
2015	8.88%
2016	11.56%
2017	12.18%

# How will I know how well my investments are performing?

Every year you will receive a benefit statement showing the return on your fund, it's current value and an illustration of the benefits that might be available to you at retirement.

These illustrated benefits are prepared on a statutory basis and are not an estimate of the benefits you will receive. Your final benefits will be affected by actual investment returns and the pension annuity rates applicable in your case. These cannot be predicted in advance.



# When do I take my benefits?

At the same time as you take your basic pension. In some circumstances, you may defer receipt of your additional pension until a later date of your choosing. If you are interested in deferral, please ask for details.

## What choices do I have when taking my AVC Benefits?

At retirement you will be advised of all the options available regarding your AVC fund. The main choice is between taking a tax-free cash sum and applying your fund to purchase pension, possibly with a spouse's pension. If you choose to take further pension, you may do so within the URCPMF or buy it from an insurance company (an Open Market Option).

## Tax-Free Cash

You may use your entire AVC fund to purchase additional pension. However, under current HM Revenue and Customs (HMRC) rules, you may take at least 25% of your AVC fund as a tax-free cash sum. However, in many cases, you may be able to take the entire amount as tax-free cash. This is because you may combine the tax-free cash limits from your basic pension and your AVC fund. Any part of your fund in excess of the maximum amount you are

allowed to take as cash must be used to purchase additional pension or taken as a taxed lump sum which would be added to your pension payment in the following month and taxed under PAYE.

The total limit on the tax-free cash you may take is 25% of your AVC fund together with the maximum tax-free cash permitted from your basic pension. As an illustration, if you had an AVC fund of £50,000 and a basic pension of £8,182.50 per annum:

Amount of tax-free cash permitted from basic pension	£36,152
25% AVC fund	£12,500
Total tax-free cash allowance	£48,652

As the total in this illustration is less than the AVC fund, the balance of £1,348 must be used to purchase additional pension or be taken as a taxed lump sum.

The amount of tax-free cash which can be taken from your basic pension is determined by HMRC rules which currently allow 25% of the value of your pension benefit to be taken. HMRC value all pensions coming into payment at a standard rate of £20 for each £1 pa of pension.

If the total tax-free cash allowance were more than your AVC fund all the AVC fund may be taken as tax-free cash, and additional cash may be taken in exchange for an appropriate reduction in the level of basic pension.

If you wish to take advantage of the further flexibilities that have now been introduced by the Government to permit drawing down from your cash fund taxed sums in excess of the tax-free limit you will need to transfer the AVC funds to another suitable pension arrangement, having taken independent advice on the matter. Please contact the Fund administrators in the Finance Office if you intend to explore this option.

*It is not necessary to make a choice regarding which option you wish to take until shortly before you take your pension*

## Purchasing Additional Pension

You can purchase additional pension from the URCPMPF in one of the following four forms:

1. A fixed pension payable throughout your life.
2. A fixed pension with an attaching 50% spouse's benefit payable on your death.
3. A pension payable throughout your life with annual increases in line with the Retail Prices Index up to a maximum of 5% per annum,
4. An increasing pension as in 3. including a 50% spouse's benefit payable on your death.

All these pensions are subject to a five year guarantee. This means that if you were to die within five years of the date when your pension first came into payment the balance of the unpaid months in the five years will be paid as a tax-free lump sum, at the discretion of the Trustee, to your dependants or relatives. If you

die more than five years after your pension first came into payment, only a spouse's pension, if applicable, will be payable.

## **Open Market Option**

Alternatively, you may take your fund into the open market and use any approved insurance company to provide your pension. Provided your AVC fund is not too small you might receive a higher pension, and you will have a wider choice of the form of pension you may take. Some companies offer better rates if you have a health problem which affects your life expectancy, or if you are overweight or smoke. You will need to use a specialist IFA if you wish to explore the Open Market Option.

## **What happens if I die before I take my pension?**

Your accumulated AVC fund will be paid as a lump sum to your relatives or dependents. The Trustee has discretion as to whom, and in what proportions, this is paid. This payment is restricted to dependants and relatives (including civil partners). You may nominate one or more dependants or relatives to receive any lump sum death benefit by completion of an expression of wishes form which can be obtained from the Finance Office. Once completed this should be returned to the Finance Office in a sealed envelope marked with your name and 'expression of wishes' on the front. This will only be opened in the event of your death. Although this is not a legally binding

document it does provide guidance for the Trustee in exercising discretion.

Should your spouse or civil partner wish to receive any lump sum benefits due to them in the form of a pension, this option will normally be offered by the Trustee.



Should you have no relatives or dependents, then your AVC fund will be retained by the Fund.

## **What happens if I leave stipendiary service?**

If you should leave stipendiary service your AVC fund will continue to be held in the Fund, accruing further investment returns, until you retire or decide to transfer your pension benefits to an alternative pension arrangement.

# Additional Information

You should refer to the full information contained in the Members' Guide to the Scheme. The following notes are an abbreviated version.

## **Rights, obligations, limitations**

The rights and obligations of members of the URCMPF are set out in the Trust Deed and Rules, which are the formal documents of the Fund. If there is any conflict between the interpretation given in this booklet and the formal Trust Deed and Rules the legal interpretation of the formal documents will prevail. Copies of the Trust Deed and Rules are available from the Finance Office or from the website - <https://www.urc.org.uk/urc-ministers-pension-fund.html>

The Fund administrators are not permitted to give financial advice. Any information given to you should be regarded as such and should not be taken to constitute advice. Care is taken to provide you with accurate information but the Church is not responsible for the choices you make regarding your financial arrangements.

## **Are my benefits secure?**

The AVC Fund is part of the URCMPF, which holds its assets separate from those of the United Reformed

Church. The Trustee is obliged to administer the Fund in accordance with the Trust Deed and Rules.



The Church, through the General Assembly, has affirmed its commitment to the URCMPF and undertakes to make arrangements to meet any deficits in the funding requirements which may arise from time to time.

The Pensions Regulator has been set up by the government to protect members' benefits by regulating pension schemes in accordance with legislation.

The Church contributes to the Pension Protection Fund which is described in the Members' Guide.

## **Amendments or discontinuance**

While the Church intends to continue the Fund indefinitely, it reserves the right to amend or discontinue the Fund, or any part of it, at any time. However, the Church guarantees that no amendment will be made which will reduce the benefits you have secured up to the date of amendment. In the event of amendment or discontinuance, you will be advised immediately of how this will affect you.

## **Fund Administration**

The administration is undertaken in house by the Church on behalf of the Trustee. The in-house administration team (Fund administrators) are responsible to the Church and deal directly with active members, pensioners and deferred members of the Fund.

## State Pension and contracting-out

A new, single tier, State Pension was introduced for individuals reaching state Pension age on or after 6 April 2016. Individuals now require 35 years of contracted-in NI contributions to secure a full basic state pension. For those with less than 35 contributions, but more than 10 (the minimum qualifying period), you will receive a pro-rata amount. For more information on State Pension go to: <https://www.gov.uk/state-pension>

Your entitlement to these pensions is not affected in any way by your membership of the URCMPF. Benefits arising from AVCs will be in addition to both your State Pension and your basic pension.

## Benefit limits

There are no limits on the pension benefits you can receive from the scheme.

However, if the value of your benefits from all tax-registered schemes exceeds the 'Lifetime Allowance', tax charges will apply to the excess. While the URCMPF pension will not exceed this allowance, the aggregate effect of pensions accrued elsewhere may affect some members. There is also an 'Annual Allowance' applying to pension contributions above which tax charges apply. The current limit is £40,000 per annum but note that this allowance reduces to £4,000 per annum if you flexibly access pension from a money purchase scheme. If you are concerned about these limits, please refer to the Scheme Guide.

## What if I have a complaint?

In the first instance specific enquiries should be referred to the Pension Fund Manager. If you remain dissatisfied you may at any time write to the Pension Fund Manager who will provide you with the Internal Disputes Resolution which explains the process of submitting a formal application to the Secretary of the URC Ministers' Pension Trust Company at the address below.

The complaint and supporting information will initially be considered by a sub-committee of the Trustee Board who will make a recommendation to the full Trustee Board at one of the scheduled meetings. You will be informed of the Trustee's decision after that meeting. The aim is to give you the result within four months of your initial complaint being received.

## Enquiries

If you require further information you should contact the Fund administrators in the Finance Office at the following address:

The United Reformed Church, 86 Tavistock Place,  
London WC1H 9RT

Tel: 020 7916 2020 Email: [rob.seaman@urc.org.uk](mailto:rob.seaman@urc.org.uk)



# Ready for retirement?