

take your pick! investing your AVCs

Jaguar Pension Plan – AVCs

April 2013

CLOSED TO NEW MEMBERS

as easy as AVC...

What is an AVC?

Additional Voluntary Contributions (or AVCs for short) allow you to make extra savings to help increase the pension you will receive when you retire. AVC payments are made automatically from your pay packet and are invested in a fund of your choice, which you can select from the many available (see page 7). When you retire, the money you have saved in the fund is used to 'buy' you extra pension.

The benefits – a reminder

Making extra savings for retirement, through the Jaguar Pension Plan, is very straightforward. AVCs also benefit from tax relief at your highest rate of tax, so if you pay 20% tax (2013/2014 tax year), for every £10 you pay, your take home pay will only be reduced to £8.

Because you pay AVCs through the Jaguar Pension Plan, you also benefit from the reduced management charges negotiated by the Scheme's Trustees.

AVCs are especially worth thinking about if:

- you want to retire early,
- you won't have the opportunity to build up enough pension with Jaguar before you retire.

It's important to remember that you won't be able to access your AVC savings until you retire.

How do AVCs work?

You pay contributions to an account set up in your name. The value of the investments in this account will change in line with the investment performance of your chosen funds. When you reach retirement, you can:

- Buy pension for yourself (or for yourself and a partner – on a 'joint life' basis) – the amount of pension you can buy depends on the cash in your account, your age and the cost of buying a pension at the time. The pension is taxed as income when it is paid.

Or

- Take up to 25% of your AVCs as a tax free lump sum with the remaining AVCs purchasing a pension in the Jaguar Pension Plan in the same way as noted above. This option means that you reduce the amount of Jaguar pension you need to give up in order to take your chosen tax free lump sum.

Or

- A combination of both of the above options.

Or

- Buy a pension with an approved pension provider. This is called an 'open-market' option as you would have to 'shop around' for the best and most appropriate pension outside the Jaguar Pension Plan.

Deciding how to invest your AVCs

This booklet sets out some of the things you need to think about before deciding how to invest your AVCs. AVCs work differently to your pension from the Jaguar Pension Plan, and the performance of your chosen AVC fund will have a significant effect on the value of the AVC benefits payable when you retire.

What kind of funds can I invest in?

Before you can decide how to invest your AVCs, you need to know what the different types of investments are and how they are managed. The Trustees of the Jaguar Pension Plan have chosen an updated range of investment funds to help meet the investment needs and preferences of a typical member.

Types of investment

There are many different types of investments. The ones you need to know about, when deciding how to invest your AVCs, are explained below:

- **Shares:** These are company shares. The value of shares can change, and this largely depends on the performance of the issuing company and market conditions. In the past, shares have produced good returns in the long term – better than bonds or cash – but they can fall as well as rise, sometimes quite sharply.
- **Property:** These are investments in commercial property; they aim to provide returns from any increase in property value and from rental income. In the past, property has generally produced good returns in the long term but the value of investments can fall as well as rise, though this is usually less sharply than shares.
- **Bonds and gilts:** These are loans made to organisations or governments. Bonds provide investment returns at a fixed rate (fixed interest) or a rate linked to inflation, and they can be issued for different lengths of time. Bonds are traded, so their value does rise and fall, but not usually as sharply as shares. Corporate bonds are issued by public companies. Bonds issued by the UK Government are called ‘gilts’.
- **Cash:** These are generally investments in deposit or savings accounts. The ‘face value’ of cash investments is not usually affected by falls in value, but the buying power of cash is eroded by inflation.

Managing investments

Investment funds are generally managed in one of two ways:

- **Index:** The investment manager chooses a market index and invests the fund in broadly the same investments that make up that index. You may also see these funds referred to as ‘passively-managed’ or ‘tracker’ funds. *Funds managed in this way should match the index, and not perform significantly better or worse than the index they are tracking.*
- **Active:** The investment manager uses their ‘expertise’ to try to choose investments that will beat the returns of a chosen index. *Funds managed in this way may do better than the index, but they can also underperform if the manager makes the wrong choices.*

What’s an index?

An index normally means a group of investments, such as the Financial Times Stock Exchange (FTSE) ‘All-Share Index’, which is made up of **all** the shares on the UK stock exchange.

The FTSE100 is made up of the 100 largest companies, by share value on the stock exchange.

Does my age matter?

Your age is an important factor to consider when deciding how to invest your AVCs. Generally, the longer you have until retirement, the more investment risk you can take. If you are close to retirement, you will probably want to be more cautious.

When you are more than 10 years from retirement...

When you are younger, you will probably be looking for good long-term growth to protect the buying power of your AVCs. The risk that your AVCs might fall in value in the short term will probably be less of a concern to you. If this is the case you should consider investing in share-based, or other higher-risk investments that have the potential to keep pace with inflation.

As you have time to weather the ups and downs of the markets, you should consider investing in riskier investments that potentially give higher returns.

As you approach retirement...

You will want to protect your AVCs from sharp falls in value, which could mean less tax-free cash or pension for you when you retire. You should, therefore, consider switching to cash and bonds, as the value of your AVCs would then be more protected from sharp falls in value.

What's investment risk?

It is the risk that your AVCs fall in value.

What type of investor are you?

Understanding the different types of investment (shares, bonds, property and cash) should help you decide how to invest your AVCs.

You also need to think about your own attitude towards investments and risk. Completing the following questionnaire should help you check your attitude to investing.

Read the statements in the table below and tick the box that best describes what you feel about them. If you strongly agree with A, tick box 1, but if you strongly agree with B, tick box 5. Tick box 2, 3 or 4 if you fall between the statements.

A		B
I want to protect my savings. I'd be worried if they fell in value, even temporarily.	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	I want to earn more on my savings. I am willing to take a risk that they may fall in value.
If the stock market crashed, I would cut my losses, sell my shares and put money in the building society.	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	If the stock market crashed, I would buy more shares at a lower price.
If I had a choice between a guaranteed payment of £1,000 or a one-in-five chance of a payment of £10,000, I'd definitely take the £1,000.	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	If I had a choice between a guaranteed payment of £1,000 or a one-in-five chance of a payment of £10,000, I'd definitely take the chance on the £10,000.
I don't follow the stock market.	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	I follow the stock market and have a view on its prospects.
I don't like investing in shares as they are too risky.	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	I don't worry about short-term falls in share prices; shares are a way of making money over time.

Next steps...

Now add up your score. See what your answers suggest about your attitude to investing and then measure them against the Investment Profiler.

This will give you an idea of the types of assets and funds in which you may want to consider investing.

How you score

Remember: deciding how to invest your AVCs should not be a 'once-only' decision...

Although you should take a long-term view, you need to review how your AVCs are invested on a regular basis, to make sure that your chosen fund(s) continue to suit your circumstances.

Investment profiler

Your score:

5 to 8

You are a very cautious investor. You should consider funds in Band 1.

9 to 12

You are a fairly cautious investor. You should consider funds in Bands 2 or 3 or Lifestyle

13 to 17

You are an investor who is prepared to take some investment risk to get higher rewards. You should consider funds in Bands 3 or 4 or Lifestyle.

18 to 21

You are an investor who will accept higher risk in return for the chance of higher rewards. You should consider funds in Band 4 or Lifestyle.

22 to 25

You are an investor who is happy to take risks to maximise growth. You should consider funds in Band 4 or Lifestyle.

See the next page for the broad Bands to consider AVCs funds under.

Consider **less** shares and property and **more** bonds and cash.

Consider **more** shares and property and **less** bonds and cash.

What Band should I consider?

The Trustees feel it is important to offer you a range of funds, or strategies, which reflect the various types of assets described and your own preferences for risk. To help you decide which fund(s) may be appropriate to you, they are divided into four Bands, designed, broadly-speaking, for four types of investors.

More information about investment performance is available from the Jaguar pension administrators.

Band	Type of investor	Number of options
1	Very cautious investor	Two lower risk funds (cash)
2	Fairly cautious investor	Two medium risk funds (bonds)
3	Moderate investor	Two medium to higher risk funds (shares, bonds and property)
4	Higher risk investor	Six higher risk funds (shares)

The funds on offer

Band	Fund	Type of Investment
1	Prudential Deposit Fund	Earns a variable rate of interest. The interest rate is set on the first of each month, in line with the Bank of England base rate at the time.
1	Aegon Cash Fund	Invests at least 95% in bank deposits and other short-term UK money market investments.
2	Aegon Over 15 Years Corporate Bond Index Fund	Invests in sterling investment grade corporate bonds with a maturity period of 15 years or longer.
2	Aegon Over 15 Years UK Gilt Index Fund	Invests in UK government-backed fixed interest securities with a maturity period of 15 years or longer.
3	Aegon Baillie Gifford Balanced Managed Fund	Aims to provide superior long-term growth by investing in mainly UK and overseas equities.
3	Aegon Consensus Index Fund	Aims to provide returns greater than inflation by investing mainly in UK and overseas equities but also in gilts, index-linked gilts, UK and overseas corporate bonds and cash.
4	Aegon Baillie Gifford International Fund	Invests in geographically diversified portfolio of equities of international companies that the manager believes offer above-average growth potential.
4	Aegon Ethical Fund	Aims to maximise growth by investing in the shares of UK companies whose business activities meet the terms of strict negative ethical screening criteria.
4	Aegon Global Equity 50:50 Index Fund	Aims to provide returns consistent with the markets it invests in by investing approximately 50% in UK equities and 50% in overseas equities, split equally between USE, Europe and the Far East.
4	Aegon Global Equity 50:50 Index Lifestyle Fund	In the first stage this fund invests in the Aegon Black Rock Aquila Global Equity 50:50 Index Fund (see above). Six years from your chosen retirement date, your investment is gradually switched into less 'risky' assets. You can read more about lifestyle funds and how they work in your joining booklet.
4	Aegon UK Equity Index Fund	Aims to match the performance of the FTSE All-Share Index and achieve long term capital growth by investing in the same companies as the index, in the same proportions.
4	Aegon Invesco Perpetual Income	Aims to achieve a reasonable level of income together with capital growth by investing mainly in UK equities with the remainder in overseas equities.

Your AVC options

Can I choose more than one fund?

You can pay AVCs into more than one fund if you wish, including funds in different Bands, as long as they are all from Aegon. If you wish to pay AVCs into the Prudential fund, you cannot pay into any of the Aegon funds as well.

How much can I pay in AVCs?

You choose how much you pay, up to a maximum of 8% of your total gross pay. You can choose to make regular payments, as either a percentage of your earnings, or at a fixed rate. The minimum regular fixed rate contribution you can make is £1 per week or £4 per month.

You can also make a lump-sum payment from your final pay slip of the tax year in March, and can stop or change the amount of AVCs you pay at any time. However, please note if you stop paying your AVCs **you will not** be able to recommence paying your AVCs at any point in the future.

Do I pay any charges?

Your AVCs are subject to charges for administration and investment management. These charges vary according to the type of investment fund you choose and may change during the life of your fund.

What if I leave Jaguar before I take my pension?

If you leave Jaguar before you retire, your AVCs will continue to be invested in your chosen funds and move in line with those investments, until you retire. Alternatively, if you transfer your Jaguar pension to another pension plan, your AVCs will be transferred as well.

What if I die before I take my pension?

If you die before you retire, the value of your AVCs will normally be paid as a lump sum to one or more of your beneficiaries, as the Scheme Trustee decides. In deciding where to pay your lump sum the Trustee will take into account any wishes you have expressed, via your Insured Benefits Nomination form.

Can I take my AVCs before I draw my Scheme pension?

No, you cannot take your AVCs before you retire.

Can I change the amount of AVCs I pay?

You can change the amount of AVCs you are paying. You will normally need to give one month's notice to Payroll. You will need to complete a new AVC form to let us know your wishes.

Can I stop paying AVCs?

You can stop paying AVCs at any time. However please note **you will not** be able to recommence paying your AVCs at any point in the future.

Can I change my investment funds?

You can change how your future AVC payments are invested at any time, by completing a new AVC form. Changes to your ongoing investment payments are currently free of charge. You can also switch your existing funds (past contributions) between accounts, but some charges may be applied and you will need to contact the Pensions Department to see if you will be affected.

other choices...

Are there alternatives to Scheme AVCs?

You may want to consider other savings that are outside of the Jaguar Pension Plan, including stakeholder pensions, personal pensions and ISAs, as these can give you more flexibility with your savings, or a wider range of investment options. You could also consider joining the JLR Defined Contribution Fund.

What other pension savings routes should I consider?

You can contribute to a stakeholder pension or personal pension or the JLR Defined Contribution Fund, at the same time as paying into the Jaguar Pension Plan and paying AVCs. You still benefit from tax relief, so long as your total contributions and benefits that build up during a tax year are no more than 100% of your taxable earnings. Because these pensions are outside the Jaguar Pension Plan, you can continue to pay into them even if you leave Jaguar.

- **Why are stakeholder pensions worth considering?** – you may want to spread your investment risk further and/or invest more than 10% of your income.
- **The drawback** – the charges on this type of pension are likely to be higher than the Jaguar Pension Plan's AVCs, which benefit from group terms.

What other savings options should I consider?

You can also use other tax-efficient ways of savings, such as Individual Savings Accounts (ISAs) or other National Savings products.

- **Why are other types of savings worth considering?** – you can gain access to this part of your savings before you retire.
- **The drawback** – you do not receive tax-relief on your contributions.

What next?

This booklet has been produced to guide you through the choices and options available to help increase your pension at retirement.

If, after reading this booklet, you are still unsure if AVCs are appropriate for you, or if you don't know how you should invest your AVCs, we recommend you speak to an Independent Financial Adviser.

If you don't already use a Financial Adviser, you can find details of an Independent Financial Adviser in your area on the web.

Web: www.unbiased.co.uk

Please note that neither the Pensions Department, the Trustees, nor any Jaguar employees are legally authorised to give you financial advice.

For more information on AVCs, or on any other matters relating to your membership of the Jaguar Pension Plan, please contact:

Tel: Jaguar pensions helpline on 0845 078 2052

The small print

This document has been prepared:

- using the facts that applied at the time it was written
- using our understanding of HM Revenue & Customs rules at December 2011. Tax rules and rates may change in the future and there may be changes to your personal circumstances which affect your entitlement to tax relief as described by this leaflet
- to summarise a broad range of options available to you.

Before you make your investment decisions you should read carefully all the documents provided and take advice from an Independent Financial Advisor if you need further guidance.