

take your pick!

investing your AVCs

DRAFT

Land Rover Pension Scheme - AVCs

2016

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 8). When you retire, the money you have saved in the fund is used to provide you with extra pension benefits. More information on the options available to you is provided below.

The benefits – a reminder

Making extra savings for retirement, through the Land Rover Pension Scheme, is very straightforward. AVCs also benefit from tax relief at your highest rate of tax, so if you pay 20% tax (2016/2017 tax year), for every £10 you pay, your take home pay will only be reduced by £8.

Because you pay AVCs through the Land Rover Pension Scheme, 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 Land Rover 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 change in line with the investment performance of your chosen funds. When you reach retirement, your options depend on the date the contributions were paid:

- For all AVC contributions paid up until 31 March 2013, if you purchase pension in the Land Rover Pension Scheme, the retirement pension secured by these AVCs will continue to be linked to the LRPS lump sum commutation factors when you retire, and it may be possible to take all of your AVCs, paid up until 31 March 2013, as part of your tax free lump sum at retirement. It is still possible to transfer your pension outside the Scheme as described below.
- For AVC contributions paid after 1 April 2013, your retirement pension will be calculated using factors advised to the Trustee by the Scheme Actuary. These factors will have regard to the terms available in the open market and the Scheme Actuary will review the factors each month and recommend adjustments when necessary. In addition, only 25% of these AVCs will be eligible to count towards any tax free lump sum that you take at retirement from the Scheme. The effect of this change is likely to mean that any AVC contributions, paid after 1 April 2013, will purchase substantially less pension in the Scheme than those paid before. Again, it is still possible to transfer your pension outside the Scheme as described below.

Or

- Transfer your AVC account out of the Land Rover Pension Scheme to another pension arrangement. You will need to do this if you want to:
 - Buy pension for yourself (or for yourself and a partner – on a 'joint life' basis) with another approved pension provider. This is called the 'open market option' as you would have to shop around for the best and most appropriate pension outside the Land Rover Pension Scheme. 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.

- Take advantage of the new flexibilities for pensions for example: keeping your money invested and making lump sum withdrawals over 2 or more years.
- Access the value of your AVCs once you are over 55 but before you take your main Land Rover pension.
- Any combination of the above.

See page 11 on more information under '**What do the new rules on pension freedom mean for AVCs?**

Or

- Take all your AVCs as cash. If you do this, 25% will be tax free and the remainder will be taxed as income.

Or

- Opt to defer taking your AVC benefits regardless of whether you have drawn your main Land Rover pension.

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 Land Rover Pension Scheme, 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 Land Rover Pension Scheme 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.

What’s investment risk?

It is the risk that your AVCs fall in value.

As you approach retirement...

You may 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.

If you are planning to transfer your AVCs out of the Scheme in order to take advantage of income drawdown (see page 11) you may want to take a longer term approach to investing and should consider taking advice on your options.

If you are invested in a Lifestyle strategy (see page 9 for more information)...

A lifestyle strategy gradually switches into funds that are less likely to move sharply up and down in value as you approach retirement, so it is important to make sure that it is aiming for your expected retirement age. If you do not enter a Target Retirement Age (TRA) the lifestyle strategy will target age 65. You should think about when you expect to retire and/or take your AVCs and make sure your TRA reflects this.

You can change your TRA to any age between 55 and 75 by contacting JLT, the scheme administrator. If you have any other investments in lifestyle strategies you should check that your TRA is consistent across strategies.

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.
I want to use my AVCs to top up my Land Rover pension	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	I want to transfer my AVCs from the Scheme to use for income drawdown.

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 on the next page.

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:

6 to 10

You are a very cautious investor. You should consider funds with a risk rating of 2.

11 to 15

You are a fairly cautious investor. You should consider funds with a risk rating of 3 or the Lifestyle strategy.

16 to 20


You are an investor who is prepared to take some investment risk to get higher rewards. You should consider funds with a risk rating of 3 or 4 or the Lifestyle strategy.

21 to 25

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

26 to 30

You are an investor who is happy to take risks to maximise growth. You should consider funds with a risk rating of 5 or the Lifestyle strategy.



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

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

See the next page for a description of each risk rating

Which funds 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, Legal & General has provided the following information on the fund risk ratings allocated to each of its funds.

Fund risk rating category	Additional rating within category	Definition of fund risk rating category
1		<ul style="list-style-type: none"> This category is risk free and so there are no funds in this category.
2		<ul style="list-style-type: none"> Funds in this category have risks that are similar to losing money when a financial institution fails. These funds are designed to operate like cash deposits by paying out the original investment plus the chance of potential returns, potentially at set maturity dates. They will not fall in value unless the charges taken by the fund manager are greater than the returns achieved, or one or more of the banks or financial institutions that hold your money fail to meet their obligations.
3	Lower	<ul style="list-style-type: none"> Funds in these categories hold investments that will go up and down in value. Funds may not hold all investment types and tend to focus on investments that do not typically change in value a lot from day-to-day. Funds may also invest in a range of investment types to try to limit the effect of one or more investment types performing poorly, but fund values could still fall significantly over time. Funds towards the middle and top of this category will hold investment types that have gone up or down more in value in the past than funds at the bottom. For example, this may be because those funds have invested in riskier investment types or they have focused on single investment types.
	Middle	
	Upper	
4	Lower	<ul style="list-style-type: none"> Funds in these categories hold investments that are expected to go up and down in value from day-to-day. Funds are likely to invest in a range of investment types, including higher proportions of riskier investment types. Funds towards the middle and top of this category will hold investment types that have gone up and down more in value over the past 10 years than funds at the bottom. For example, this may be because those funds are designed to invest in areas or investment types that are more likely to experience larger changes in value than other investment types.
	Middle	
	Upper	
5	Lower	<ul style="list-style-type: none"> Funds in these categories may invest in either single investment types or a wide variety of investments that will go up and down in value a lot from day-to-day. Funds will tend to invest in less stable investment areas, for example certain overseas or emerging markets, where economic or political conditions create an extra degree of uncertainty.
	Upper	

The funds on offer

Fund code	Fund name	Invests in	Total fund charge (pa)	Risk rating*
Equity				
3519	L&G M&G Global Leaders Fund 3	Global shares – actively managed	1.29%	5 Lower
NRJ3	L&G (PMC) Global Equity Market Weights 30:70 Index Fund 75% GBP Currency Hedged Fund 3	30% in UK and 70% in global shares – index-tracker, 75% of overseas shares are hedged against exchange rate movements	0.39%	4 Upper
NBC3	L&G (PMC) UK Equity Index Fund 3	UK company shares – index-tracker	0.35%	4 Upper
3229	L&G Artemis Income Fund 3	UK company shares – actively managed	1.06%	4 Mid
	Prudential HSBC Amanah Fund	Shares in companies that comply with Islamic Shariah Principles	0.80%	5 Lower
Emerging markets				
3517	L&G JP Morgan Emerging Markets Fund 3	Shares in emerging economies – actively managed	1.05%	5 Upper
NQM3	L&G (PMC) World Emerging Markets Equity Index Fund 3	Shares in emerging economies – index-tracker	0.70%	5 Upper
Ethical				
NEB3	L&G (PMC) Ethical Global Equity Index Fund 3	Shares that meet ethical criteria – index-tracker	0.55%	5 Lower
Diversified				
NWW3	L&G (PMC) Diversified Fund 3	A diversified range of asset classes – primarily passive but active management may be used	0.43%	4 Mid
3622	L&G Schroder Dynamic Multi Asset Fund 3	Collective investment schemes as well as directly held investments in a wide range of asset classes - actively managed	1.41%	4 Mid
Property				
EAE3	L&G Property Fund 3	Commercial property such as offices, shops, factories and warehouses – actively managed	0.94%	4 Lower
Bonds				
NEK3	L&G AAA-AA-A Corporate Bond Over 15 Year Index Fund 3	Company bonds – index tracker	0.37%	3 Mid
NBR3	L&G Over 15 Year Gilts Index Fund 3	Government bonds which pay a fixed rate of interest – index-tracker	0.33%	3 Upper
NEC3	L&G Over 5 Year Index-Linked Gilts Index Fund 3	Government bonds which pay rate of interest linked to inflation – index-tracker	0.33%	3 Mid
Cash				
EAB3	L&G Cash Fund 3	A wide range of different cash deposits and short-term investments	0.35%	2
	Prudential Deposit Fund	A fund that earns a rate of interest set each month in line with Bank of England base rate	0.00%	2

* Source: L&G

In addition to the individual funds, set out above, a “Lifestyle” strategy is also available.

How does the Lifestyle strategy work?

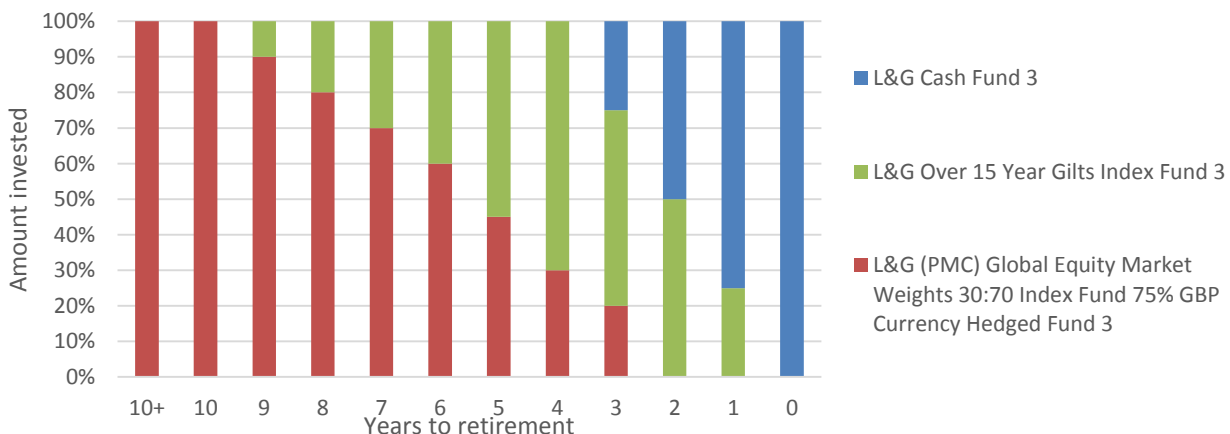
The Lifestyle strategy automatically invests your AVCs in funds, based on your Target Retirement Age (TRA). The default TRA for you is age 65. It recognises that your investment needs change throughout your working life, by gradually switching into funds that are less likely to move sharply up and down in value as you approach retirement.

While you are more than 10 years from your TRA your AVCs will be invested in the “L&G (PMC) Global Equity Market Weights 30:70 Index Fund 75% GBP Currency Hedged Fund 3”, with the aim of achieving long term growth. Over the last 10 years to your TRA, your investments are gradually switched into the “L&G Over 15 Year Gilts Index Fund 3” and, as you get closer to your TRA, into the “L&G Cash Fund 3”. At your TRA, your AVCs are fully invested in the “L&G Cash Fund 3”.

You need to tell the Scheme administrator (JLT) when you plan to retire so that switching starts at the right time for you.

- **Why it's good** – It's the easy option, because your AVCs change automatically as you approach the date you have chosen to retire.
- **Why it might not be right for you** – It invests in a limited range of funds, which might not suit your needs especially if you intend to transfer your AVCs out of the Scheme in order to access an income drawdown arrangement.

The Lifestyle strategy



Can I choose more than one fund?

You can pay AVCs into more than one fund if you wish, including funds with different risk ratings. However, if you choose to invest in the “Lifestyle” strategy, you will not be able to invest in any other L&G funds at the same time.

Which companies provide the various AVC investment funds?

The funds are provided through both Prudential and Legal & General.

- **Prudential** is an international financial services group with significant operations in Asia, the US and the UK. Prudential has over 10 million policyholders and £505 billion of assets under management.
- **Legal & General** is a FTSE 100 group which provides retail insurance and pension products. The fund management division of Legal & General has total worldwide assets under management of £715 billion.

Your AVC options

How much can I pay in AVCs?

You choose how much you pay, up to a maximum of 15% of your total earnings, less your contribution to the main pension scheme. 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 and can stop, start or change the amount of AVCs you pay at any time.

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. The fund table (on page 8) sets out the current charges on each fund.

What if I leave Land Rover before I take my pension?

If you leave Land Rover 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 Land Rover 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 Expression of Wish form.

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

No, you cannot take your AVCs as part of your Scheme benefits before you retire. If you want to access your AVCs before you retire you would have to transfer the AVCs to another registered pension plan which may permit you to draw the value from age 55 onwards. You can opt to take your AVCs after you draw your Scheme pension.

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. You can find the form at www.jaguarlandroverpensions.com/additional-voluntary-contributions-avcs/

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 Scheme administrator (JLT) to see if you will be affected. You should bear in mind that in difficult investment conditions Legal & General reserves the right to delay any switches out of the Property fund for up to 6 months.

other choices...

Are there alternatives to Scheme AVCs?

You may want to consider other savings that are outside of the Land Rover Pension Scheme, including personal pensions and ISAs, as these can give you more flexibility with your savings, or a wider range of investment options.

What other pension savings routes should I consider?

You can contribute to a personal pension at the same time as paying into the Land Rover Pension Scheme and paying AVCs. You can also pay into the Jaguar Land Rover Defined Contribution Fund. 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 (or £40,000) or outside of any other limits HM Revenue and Customs (HMRC) have set. Because personal pensions are outside the Land Rover Pension Scheme, you can continue to pay into these even if you leave Land Rover.

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

You should note that the rules are more complex if you have already taken advantage of the new flexibility introduced in April 2015, or for those who earn more than £110,000 from all sources. If you have any concerns around the HMRC limits please contact the Scheme administrator or a Financial Advisor. More information on finding a Financial Advisor, if you do not already have one, is available in the 'What next?' section of this booklet.

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 do the new rules on pension freedom mean for AVCs?

Since April 2015, you may have more flexibility and choice when you come to draw your AVCs.

The options available through the Scheme are described on page 2 of this booklet. If you transfer your AVCs to another pension arrangement and are over age 55, you are able to take as much or as little of your pension savings as you want and when you want. If your pension provider permits, you can even take it all in one go – up to 25% tax-free and the rest taxed at your marginal rate of income tax. So, for example:

- you can take it immediately as cash (or split it over a period of two or more tax years to help with income-tax planning); or
- you can keep the money invested and make withdrawals throughout your retirement (this is known as 'drawdown'); or
- you can buy an annuity if you want guaranteed income; or
- you can combine some of the above options.

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 a Financial Adviser.

If you don't already use a Financial Adviser, you can find details of an Financial Adviser in your area on the web. You can find a list of Financial Conduct Authority regulated advisers at:

Web: <https://directory.moneyadvice.service.org.uk/en>

Web: www.unbiased.co.uk

Please note that neither the Company, the Trustees, nor any Land Rover 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 Land Rover Pension Scheme, please contact:

Tel: Land Rover pensions helpline on 0345 300 2967 (open Mon-Fri between 9am and 5pm)

Email: landrover@jltgroup.com

Address for written correspondence: JLT Benefit Solutions, St James House, 7 Charlotte Street, Manchester, M1 4DZ

Anyone over 50 with AVCs or Defined Contribution pension savings can also access guidance on how to draw your AVCs at retirement from Pension Wise. This is a Government backed service available at:

Web: www.pensionwise.gov.uk

Tel: 0300 330 1001

The small print

Please note that this document:

- uses the facts that applied at the time it was written
- uses our understanding of HM Revenue & Customs rules at October 2015. 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
- summarises a broad range of options available to you
- is subject to pensions tax law and the Scheme rules prevailing at the time you draw your benefits. If there is any conflict between this document and the Scheme rules, the rules will prevail.

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.

Before you make your investment decisions you should read carefully all the documents provided and take advice from a Financial Adviser.