The Penguin Pension Plan

EXPLAINING YOUR ADDITIONAL VOLUNTARY CONTRIBUTION (AVC)

April 2019
Defined terms

Where the terms defined below are used in the booklet they appear in italics.

ANNUAL ALLOWANCE
This is the maximum amount of tax-free pension savings that you can build up over a Pension Input Period (PIP). These include any contributions paid by you or the Company into the Plan. The Plan’s PIP is the tax year. You can find further information about your Annual Allowance on the HMRC website.
www.gov.uk/tax-on-your-private-pension/annual-allowance

ANNUITY
The pension that can be bought from an insurance company with the value of your AVC Pension Fund at your retirement date. An annuity pays a regular income for the rest of your life.

AVC PENSION FUND
The value of units purchased with your additional voluntary contributions.

FLEXI-ACCESS DRAWDOWN
This is a facility you can set up outside of the Plan which allows you to take income from your fund while it remains invested.

LIFETIME ALLOWANCE (LTA)
A limit imposed by the Government on the total value of all your tax favoured pension benefits, excluding State pension. Any benefits paid in excess of the LTA will attract a tax charge. For this purpose all pensions earned throughout your life are counted, even if already in payment. You can find further information about the LTA on the HMRC website.
www.gov.uk/tax-on-your-private-pension/lifetime-allowance

PLAN
The Penguin Pension Plan. This booklet sets out the AVC arrangements for Plan members.

PLAN EARNINGS CAP
This is the limit imposed on the earnings upon which Plan benefits and contributions are based. For details of the current Plan Earnings Cap please contact Pensions Department.

THE RULES
The documents that establish the Plan and detail the benefits to be provided and how the Plan will be administered. The Rules and legislation in force from time to time will override this booklet if they conflict with each other.

TRUSTEE
The Trustee of the Plan is Penguin Pension Trustee Limited. Its directors are responsible for ensuring that the Plan is managed in accordance with the Rules.
**Introduction**

As a member of the Penguin Pension Plan (the Plan) you may elect to save more money for your pension by making Additional Voluntary Contributions (AVC) over and above your normal Plan contributions.

If you make AVC, at retirement you may use the money that builds up in your AVC Pension Fund to take a cash sum or buy an annuity. Alternatively, you may be able to transfer the value of your AVC to an external pension arrangement, which may provide the option to use a Flexi-access Drawdown facility.

One of the most important aspects of any AVC arrangement is the investment choice that is offered. It’s up to you to decide how you wish to invest your AVC. You can choose from a range of investment options with Aviva. There’s plenty of information in this booklet to help you make your decision and details of the funds currently available are provided on the Funds Leaflet. Please note, however, that neither Aviva, the Trustee, the Company, nor Pensions Department staff are allowed to give you any investment advice.

If you would like further information on the available funds, fund factsheets are available on the Penguin Random House Benefits Portal or the Plan’s dedicated website at https://workplace.aviva.co.uk/penguin

Once you have commenced making AVC, you will be able to register for Aviva online service via the Scheme’s website and obtain real time valuations of your AVC account. In order to register for this service you will require your Aviva membership number which will be sent to you shortly after your AVC start. You can use your membership number to register for the online service either by clicking on the link on the Benefits Portal or by visiting the Scheme’s website.

If you have any queries about the AVC arrangement, you can contact the Pensions Department at the following address:

Pensions Manager  
Penguin Pension Plan  
20 Vauxhall Bridge Road  
London  
SW1V 2SA 

Tel : 0207 840 8833  

E-mail : pensions@penguinrandomhouse.co.uk
Additional Voluntary Contributions (AVC)

What are AVC?

In addition to paying your basic contributions which are paid via salary sacrifice and are double matched by the company, you can save more money by making AVC in order to supplement your benefits under the Plan. If you make AVC they will be invested separately from your contributions and the Company’s normal Plan contributions.

AVC qualify for income tax relief in the same way as your normal Plan contributions, which mean they are a tax-efficient way of saving for your retirement. Contact the Pensions Department for further details. Please note that, unlike your basic contributions to the Plan, AVC cannot be paid by salary sacrifice.

Your total contributions to the Plan, including both your basic contributions and AVC cannot exceed 15% of your pensionable salary (subject to the Plan Earnings Cap).

Starting or changing AVC contributions

Once you are paying the maximum basic contribution for your age group into the Plan, which is then double matched by the Company, you are eligible to start paying AVC.

You can start paying AVC, or amend the amount of AVC you are paying, by logging into the PRH Benefits Portal. See the instructions below.

1. Log onto the Benefits Portal in the usual way.
2. Once on the Benefits page click on “Select Benefits”. All the benefits you are entitled to, including pension benefits, will appear on screen.
3. Then click on “Select Benefits”. This will take you to the next page where you can amend/change your benefits. For example, if you are a Penguin Money Purchase member you will see “Pension Penguin Money Purchase” appear.
4. Click on “select” on the Pension – AVC Penguin Money Purchase line. A box will appear showing you the minimum and maximum AVC you can make. Choose the percentage AVC you wish to make and if you are happy with your selection click on “calculate” to proceed.
5. The screen will show the amount of AVC you are proposing to make. If you are happy with this then click on “confirm”. This will return you to the Benefits Overview screen and you will be asked to confirm your selection again by clicking on “Confirm selection”.
6. This brings you to a Selection Confirmation screen which shows the AVC you have chosen. If you are happy with your selections then click on “Commit My selections”.

Amending AVC

Follow the same process as outlined above for logging onto the Portal. Click on “Select Benefits”. This time a line entitled “Pension – AVC Penguin Money Purchase” will also appear indicating that you have currently chosen AVC or are able to choose, then click on “Select”. You will be able to amend your AVC by clicking on “Change” on the Pension – AVC Penguin Money Purchase line. Change the contribution % to what you wish to make - click on “Calculate”. Follow the same process as from step 5 above to confirm your selection.

Stopping AVC

Follow the same process as outlined above for logging onto the Portal. Click on “Select Benefits” and go onto the line entitled “Pension – AVC Penguin Money Purchase”. You will then be able to amend your AVC by clicking on “Change” on the Pension – AVC Penguin Money Purchase line. If you want to stop your AVC then select the “Deselect” box and click on “Confirm”. Then follow the same process as from step 5 above to confirm your selection.

Other Pension arrangements

If you wish to save more than your basic contributions for your retirement, then you also have the option of doing so through other pension arrangements, such as a personal pension or stakeholder pension. You will receive tax relief on contributions in total up to 100% of your annual earnings (or £3,600 if greater), subject to an upper limit referred to as the Annual Allowance.

You can therefore decide whether to save more money for your retirement by making AVC to the Plan or by contributing to an alternative pension arrangement.

If you wish to pay more in pension contributions than the Plan maximum of 15%, then you will need to do so through an alternative pension arrangement.

How to make a fund choice

The Trustee of the Plan has selected a number of funds from the Aviva portfolio for members to choose from. It’s up to you to decide which fund / combination of funds to invest your AVC in.

The Trustee monitors the performance and future investment potential of the funds on a regular basis and as a consequence fund options may change in the future. Importantly, if you do not want to get involved in the day-to-day investment management of your AVC Pension Fund, an AVC Lifecycle Option is available. Details are provided in the AVC Lifecycle Option Leaflet.

It’s a good idea to think carefully about your plans for retirement before making any decisions. This booklet contains information about different types of investments and outlines some of the things you should think about before making your investment choices. Individual fund factsheets to help you understand each of the investment funds are available via the PRH Benefits Portal or through the Plan’s dedicated website https://workplace.aviva.co.uk/penguin

You may want to obtain independent financial advice about your options. You can obtain details of independent financial advisers (IFAs) in your area by visiting www.unbiased.co.uk. A financial adviser may charge you for their services.
**Changing your investments**

Initially, your AVC will automatically be invested in the default fund. If you wish to invest in a different fund you will need to register for Aviva’s online service. You can do this by visiting either the Plan’s dedicated website at [https://workplace.aviva.co.uk/penguin](https://workplace.aviva.co.uk/penguin) or the Penguin Random House Benefits Portal.

Before you can access Aviva’s online service you must first register for it. In order to register you will require your Aviva membership reference number. This is contained within the Membership Schedule that will be sent to you by Aviva shortly after your AVC payments start. If you had registered previously for the service prior to starting your AVC you can use the membership reference number you were sent when you originally joined the Plan.

Once you’ve made your investment choices, it’s a good idea to review your investments regularly to check that they are in line with your expectations or reflect any changes in your retirement plans, for example if you plan to retire earlier than originally expected.

The Plan allows a good deal of flexibility for you to adjust your investment choices. Full details of how to change your investment choices can be found on page 5. You should be aware, however, that movements in the market in the short term may not reflect long-term trends and you should exercise your option to switch funds carefully. You may switch your AVC investments or redirect future AVC at any time, currently at no extra charge.

**Investments – Risk and Asset Classes**

Your personal circumstances may affect how you wish to invest your AVC Pension Fund.

Things that may help you decide the appropriate level of investment risk for you include:

• how long your AVC will be invested in a fund
• whether you have any other savings
• whether you want long term or short term growth
• your financial commitments and any other income you expect to get
• your attitude to risk.

You need to weigh up all these things before deciding how to invest your AVC Pension Fund.

**Understanding Risk**

There are three types of risk that you need to think about:

**INVESTMENT RISK**

The value of investments can go down as well as up. You may get back less than has been invested.

**INFLATION RISK**

This risk comes from funds that do not grow quickly enough to keep up with the cost of living. This can happen with low investment risk funds, which grow only gradually – for example, a cash fund.

**PENSION CONVERSION RISK**

Depending on the options you choose at retirement, the Trustee may buy a pension with your AVC Pension Fund. This is known as an ‘annuity’.

How much income can be bought depends on ‘annuity rates’, which vary depending on market conditions. This means that the same value in your AVs Pension Fund may buy more or less income, depending on the actual time an annuity is purchased.

**Your Age**

Your attitude to risk is likely to change over time, so it is important that you review your investment choice regularly. This will ensure that your investments remain appropriate to your personal circumstances.

While you are still a long way from your planned retirement age, you may be more concerned about the inflation risk. You may be willing to accept higher risk investment funds, because even if the value of your AVC Pension Fund falls for a while, you would have longer for it to build up again. However, as you get closer to your retirement age, there would be less time for your AVC Pension Fund value to recover from any decline. This means that you may prefer to invest in funds with lower potential volatility in later years.

Furthermore, as you approach retirement age, you may want to take into account the retirement options available to you and you may become more concerned about the pension conversion risk.

There is no general rule on how you should invest your AVC Pension Fund throughout your working life, since you will need to take into account your personal circumstances and attitude to risk. It is strongly recommended that you seek independent financial advice if you are unsure of how you wish to invest your AVC Pension Fund.

**How do I choose a Selected Retirement Age?**

If you do not choose your own Selected Retirement Age a default age of 65 will automatically apply. If you want to choose an age different from this you will need to complete a Selected Retirement Age Form. This form can be obtained from either the ROOST or DK Notebook intranets or from the dedicated Plan website at [https://workplace.aviva.co.uk/penguin](https://workplace.aviva.co.uk/penguin). Your completed form should be returned to Aviva at the address given on the form.

**Lifecycle Options**

If you do not wish to select how your contributions should be invested the Trustee will invest your AVC in the AVC Lifecycle Option. The Lifecycle Option automatically switches investments as you get closer to the Plan’s normal retirement age of 65. Please refer to the “Penguin Pension Plan AVC Lifecycle Option” leaflet for more information. If you choose the AVC Lifecycle Option and do not intend to retire at age 65, you also need to choose your own Selected Retirement Age, otherwise the Lifecycle Option investment process may not be suitable for your individual circumstances.
Can I invest my AVC in more than one of the funds listed?

You can split your AVC between any number of the listed funds, up to a maximum of 10 as shown in the funds information sheet. If you choose to invest within the AVC Lifecycle Option 100% of your contributions must be invested in this option.

You may want to obtain independent financial advice about your options. You can obtain details of independent financial advisers (IFAs) in your area by visiting www.unbiased.co.uk. A financial adviser may charge you for their services.

Fund Switching

You may switch your AVC investments or redirect future AVC at any time, currently at no extra charge. You can only do this by registering for and logging into Aviva online service. You can do this by visiting the Plan’s dedicated website https://workplace.aviva.co.uk/penguin or the Penguin Random House Benefits Portal. You do not have to keep your AVC invested in the fund(s) you select initially. If your requirements change over time, you can switch between funds at any time.

When deciding where to invest, you should bear in mind that the value of funds can go down as well as up and is not guaranteed. You may not receive back the full value of contributions.

How can I keep up to date with my AVC Fund?

You can check on the current value of your AVC Pension Fund by logging into Aviva’s online service via the Plan’s website or the PRH Benefits Portal. You will receive an annual AVC statement showing the AVC you have paid, the current balance of your AVC account and details of the fund(s) in which you are invested. The statement also includes an estimate of the income your AVC could provide when you retire.

What happens to my AVC if I leave?

The options available upon leaving service are as follows:

For those with less than 30 days’ of Pensionable Service

If you were a member of the Plan for less than 30 days the value of your contributions, less tax, will be refunded.

For those with 30 days’ or more Pensionable Service

If you have 30 days or more Pensionable Service, the options available are:

A deferred pension – If you elect to leave your benefits in the Plan your AVC will also remain invested within the Plan. Whilst you would not be entitled to make further AVC in the Plan, you would retain the option to adjust your investment choices until reaching your selected retirement date.

• A transfer to another employer’s scheme
• A transfer to a suitable insurance policy, or
• Immediate payment of your benefits (if you are aged at least 55).

Tax approval

The Plan is a registered pension scheme under the Finance Act 2004.

This means that within certain limits, you receive tax relief on your contributions to the Plan. In addition, certain Plan benefits and some investment returns are tax-free.

The tax regime for pension schemes includes the concept of “authorised” and “unauthorised” payments. Unauthorised payments can trigger tax charges for members and other beneficiaries and schemes. In view of this, no benefits which would constitute unauthorised payments will be paid from the Plan unless the Company and Trustee agree. You will be notified if you are affected by this restriction.

What happens to my AVC if I die before retirement?

The full value of your AVC will be added to any cash sum provided by the Plan.