



**CERS**

BUILDING FOR YOUR FUTURE

## **ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

YOUR QUESTIONS ANSWERED



CONSTRUCTION EXECUTIVE  
RETIREMENT SAVINGS



## Building For Your Future

CERS are specialists in pension planning for the construction and related industries.

## Additional Voluntary Contributions (AVCs)

### WHAT ARE ADDITIONAL VOLUNTARY CONTRIBUTIONS?

Additional Voluntary Contributions, (known as “AVCs”) are extra contributions which you can make towards your pension to enhance your benefits at retirement.

### TAX SAVINGS

AVCs are a tax-efficient way of saving for your retirement as relief from Income Tax is allowed on AVCs at your marginal rate as they are paid by salary deduction. This means that the reduction in take home pay is much less than the amount of the AVC you are contributing. For example, the payment of a regular AVC of €100 would reduce take home pay in the current tax year as per the schedule below (assuming marginal tax is paid at the rates shown):

AVC CONTRIBUTED	RATE OF INCOME TAX	REDUCTION IN TAKE HOME PAY
€100.00	20%	€80.00
€100.00	40%	€60.00

The same amount of Income Tax relief applies to AVCs paid by personal cheque and not deducted through payroll although the relief is delayed until the claim is made directly to the Revenue.

You can also obtain tax relief on backdated AVCs. If you pay a lump sum AVC by cheque and claim tax relief on this AVC by 31st October you can obtain tax relief in respect of the previous calendar year. For example, if you pay a lump sum AVC by 31st October 2017 you may obtain tax relief in respect of any unused tax relief for 2016 providing you claim this relief from the Revenue by the 31st October 2017. Please note that the Revenue deadline is extended for members who complete their tax return online using the Revenue Online Service (ROS).

## IS THERE A MAXIMUM LEVEL OF TAX RELIEF AVAILABLE ON AVCs?

UNDER AGE 30	15% of Remuneration
AGE 30 TO 39	20% of Remuneration
AGE 40 TO 49	25% of Remuneration
AGE 50 TO 54	30% of Remuneration
AGE 55 TO 59	35% of Remuneration
AGE 60 AND OVER	40% of Remuneration

“Remuneration” is defined as all income assessable under schedule E from this employment (including benefit in kind and the value of shares provided under a Revenue approved share purchase plan) and is currently subject to a maximum of €115,000 per annum.

You will move from one band to the next on 1 January of the tax year which includes the relevant birthday (e.g. if you are 40 in December 2017 you can start contributing at the rate of 25% in January 2017).

Note: The retirement benefits secured by your AVCs when added to the benefits already provided by the Scheme must not exceed Revenue limits on pension scheme benefits. In practice, there is scope for most employees to pay AVCs. If you are concerned that your total pension benefit including AVCs may exceed Revenue maximum you should seek further information from CERS.

## HOW CAN I MAKE AVCs?

- (a) AVCs may be made by regular monthly or annual deduction from gross salary. In this way you obtain income tax relief automatically, for example members can redirect their bonus to AVCs in this way.
- (b) Alternatively you may make a lump sum contribution by way of personal cheque. In this case you will get a receipt from the Trustees for your contribution and you must apply to the Revenue for tax relief.

## ILLUSTRATED BENEFITS

The table gives an estimate of the accumulated fund that could potentially build up in your AVC account before retirement at age 65 based on a monthly contribution of €100 being paid every month between commencement and age 65 and assuming an annual rate of investment return of 3.09% per annum.

AGE AT COMMENCEMENT	ACCUMULATED FUND AT AGE 65
25	€93,000
30	€75,000
35	€59,000
40	€45,000
45	€33,000
50	€23,000
55	€14,000
60	€ 6,000

Please note that the above figures are estimates - the actual fund value will depend on:

- The level of contributions paid; and
- The investment returns achieved

## WHAT HAPPENS TO MY AVC'S AT MY RETIREMENT

On retirement the accumulated value of your AVC account will be used to provide you with additional benefits.

Subject to Revenue benefit limits, your AVC account may be used to secure a combination of:

- Additional retirement lump sum

- Additional personal pension
- Additional dependant's pension commencing in the event of your death
- Increases on pensions in payment
- Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF)

## WHAT HAPPENS TO MY AVC's IF THE FOLLOWING OCCURS:

### Death in Service

If you die before retirement the full value of your AVC account (with no tax deduction) will, subject to Revenue limits, be used to provide additional benefits and will normally be added to your lump sum death benefit and paid to your dependants/estate together with main benefits.

### Leaving Service

If you have completed less than two years scheme service and are not entitled to preserved benefits when you leave you may elect to receive an immediate cash payment equal to the value of your own AVC account less a statutory tax deduction which at present is 20% (if you also take a refund of your main pension scheme contributions).

If you leave with more than two years scheme service, or have been provided with preserved benefits, your AVC fund will remain invested with the Scheme until your retirement benefits become payable. The accumulated value would then be used as described above.

If you opt to transfer the value of your main pension scheme benefits to either a Revenue approved scheme operated by a new employer or to a Personal Retirement Bond or Personal Retirement Savings Account operated by an insurance company, the value of your AVC fund will be added to the transfer payment.

## Charges

- 100% net allocation on all AVCs received
- There are charges related to our investment choices please see [www.cers.ie/funds](http://www.cers.ie/funds) or contact the administration team.

## Investment Choices

Your AVCs are invested in your own AVC account. Your AVC account will be invested in the Multi Asset Fund with standard lifestyling (currently the default fund) unless otherwise instructed. For full details of your investment choices please see [www.cers.ie/funds](http://www.cers.ie/funds) or contact the administration team.

## CERS Online Pension Calculator

CERS has developed a simple calculator which will be helpful when planning for your retirement. In order for you to get the most from this calculator you should be registered for online access. It has the flexibility to show what your projected benefits would be at retirement based on the current level of contributions to the Scheme and can show the benefit of paying AVCs either regularly or as a once off lump sum (or both). Please click on the "Pension Calculator" button on [www.cers.ie](http://www.cers.ie) to use this calculator to plan for your retirement.

## FURTHER INFORMATION

If you wish to commence paying AVCs, please notify your employer and/or contact:

Construction Executive Retirement Savings  
Canal House, Canal Road, Dublin 6.

T +353 (0)1 407 1430

F +353 (0)1 507 7490

E [info@cers.ie](mailto:info@cers.ie)

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Please note that the details in this leaflet are up to date as at November 2016. The leaflet is a summary of the way AVCs are dealt with. Full details are contained in the Scheme's Trust Deed and Rules. In the event of any discrepancy occurring between this summary and the Trust Deed and Rules, the Trust Deed will prevail.

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Retirement Savings / Protection / Investments

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