

Boost my Clergy pension

April 2025

You can boost your retirement savings in a tax efficient way with Additional Voluntary Contributions (AVCs).

Click on the video above to find out more.

Unlike your Clergy pension, your AVCs build up a pot of money that goes up and down depending on the contributions that go in, and investment performance.

If you earn enough to pay tax, and you keep within certain limits, your AVCs are tax-free when they go in and we can usually pay most or all your AVCs back to you tax-free when you retire.

We invest your AVCs with Legal & General Investment Management. If you paid AVCs with us in the past, they may be invested with Prudential or Equitable Life.

Contact us



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When you retire you can use your AVCs to provide:

- more tax-free cash,
- more pension, or
- a mix of both.

How much can I save?

You can only save AVCs with us while you are in pensionable service. If you are, you can save in two ways:

- monthly through your stipend or salary, or
- one off lump sums.

If you save monthly through your stipend or salary, the minimum amount you can save is £10 a month. The maximum you can save is 100% of your taxable earnings, less any deductions such as Heating, Lighting and Cleaning.

There is no minimum or maximum amount if you would like to save a one off lump sum.

You can increase, decrease, stop and start your AVCs at any time.

If you would like to start paying, or change your AVCs, fill out a form at

www.churchofengland.org/clergy-pay-avcs

Should I save AVCs?

Before you save AVCs, think about other ways of saving for later life. If you are in any doubt whether AVCs are the right savings choice for you, speak to an Independent Financial Adviser. You can find out more about financial advice at

www.churchofengland.org/financial-advice

Key takeaways

Here are the key points to remember:

- **AVCs are a great way to boost your retirement savings in a tax-efficient way.**
- **You can save monthly through your stipend or pay, or save one off amounts.**
- **You get tax-relief on the amount you save, and if you keep within certain limits, you can get it all, or most of it back tax-free when you retire.**
- **There are a range of different ways you can take your AVCs when you retire.**
- **You can stop, start, increase or decrease whenever you want.**
- **You can leave the investments to us and use our default investment option.**
- **There are responsible investment options, and a range of pick your own options available.**



How does tax relief work?

AVCs can be one of the most tax efficient ways of boosting your retirement savings.

If you keep within certain limits, your AVCs are tax-free when they go in, and we can usually pay most or all your AVCs back to you tax-free when you retire.

Monthly AVCs through my stipend or salary

The easiest way to get tax relief is to save AVCs through your stipend or salary.

The best thing about paying monthly through your stipend is the tax relief is all sorted for you through your payroll. You pick the amount you would like to save, and we collect and invest this for you.

If you are a 20% taxpayer, for every £100 you save, only £80 comes out of your stipend or pay, or if you are a 40% taxpayer, only £60 comes out.

If you do not pay tax, you do not get tax relief, but you might have to pay tax on your AVCs when you retire, so check whether AVCs are the best place for your savings.

One off lump sums

A one-off lump sum can be a great way to give your savings a big boost.

If you save a lump sum you can receive tax relief up to your taxable earnings.

If you are thinking of paying a large amount, speak to a financial adviser first to make sure you can claim all the tax back, and paying this into your AVCs is best thing for you to do with your money.

If you save a lump sum, this is money that you have already paid tax on, so you can claim the tax back. You can do this by completing a self-assessment tax return at www.gov.uk/self-assessment-tax-returns

HMRC usually refund you **after** the tax year has ended.

Annual Allowance

You have a tax-free limit on how much you can save or earn in a pension each tax year. This is called your Annual Allowance. If you go over this, you usually have to pay a tax charge.

Check your Annual Allowance before deciding how much to pay. If you are unsure about this read our Annual Allowance guide or ask us and we can explain how this works.

Taking my AVCs when I retire

When you retire and you are ready to take your AVCs, you have 3 choices:

1. take your AVCs at the same time as your Clergy pension, or,
2. transfer your AVCs to another pension provider.

Option 1 – taking my AVCs at the same time as my Clergy pension

HMRC rules allow you to take part of your AVCs as tax-free cash. If you take your AVCs at the same time as your Clergy pension we are likely to be able to pay you most, if not all your AVCs back to you tax-free. This could help with moving costs, or you could put it towards the retirement you are planning for.

If you take your AVCs at a different time to your Clergy pension you can only take 25% of your AVCs as tax-free cash.

How much can I take tax-free?

To work out how much we can pay you tax-free, we use this formula.

We multiply your annual pension by 20. Then, we add your tax-free lump sum from your Clergy pension and the value of your AVCs to this. We divide this whole amount by 4 to get 25%, then we take back off your Clergy lump sum. What's left is how much you can take from your AVCs tax-free.

If your AVCs are less than the amount that is left, we can all your AVCs to you tax free. If it is more, we can still pay the tax-free amount to you, and you can decide how to take the excess. One option is to take the rest as a taxed lump sum, or you can transfer it to another provider.

How much we can pay you tax-free depends on how much your Clergy pension is, and the size of your AVCs.

These examples show how much we could pay you tax-free.

Pension (p.a.)	Tax-free lump sum	Maximum tax-free AVCs
£2,000	£6,000	£7,250
£5,000	£15,000	£18,000
£7,000	£21,000	£25,500
£10,000	£30,000	£36,500

These figures are if you retire at age 68 and are only examples. If you retire before or after this the figures will be different.

If you would like to know how much you could take tax-free, ask us and we can let you know.

Option 2 – transfer my AVCs to another provider

If your AVCs go over your tax-free limit, you can move the amount we cannot pay you tax-free to another pension provider and spread payments over multiple tax years. This way, you will pay less tax.

If you move your AVCs to another provider, you will have these options.

1. Leave your money where it is

You can leave your money invested in your pot until you need it. This will give it chance to grow, but it could also go down in value.

2. Adjustable income

You can invest your AVCs to give you a regular income. You decide how much to take out and when, and how long you want it to last.

3. Take cash in chunks

You can take smaller sums of money until you run out. A quarter of each chunk is tax free, the rest is taxed as income.

4. Buy a guaranteed income

Use your AVCs to buy an insurance policy that guarantees you an income for the rest of your life – no matter how long you live.

5. Mix your options

You can mix different options. Usually, you need a big amount to do this.

Can I transfer my AVCs before I retire?

Yes, you can transfer all or part of your AVCs at any time before you retire. You can transfer to more than one provider.

We can usually pay more tax-free cash than other providers, so if you transfer you can only take 25% of your AVCs as tax-free cash. We can often pay you more than this.

You can transfer even if you are in pensionable service and earning benefits in the Clergy pension scheme. You can transfer your AVCs and leave your Clergy pension where it is. You do not have to transfer both.

How can I invest my AVCs?

You can choose how you would like to invest your contributions, or you can leave this to us. There are three ways you can invest your money:

- 1.** Leave it to us – invest in our default Equity Lifestyle option.
- 2.** Invest in our FTSE4Good Lifestyle option.
- 3.** Pick your own investments.

Not everyone is comfortable making an investment choice. This is why we have a default option where you can put your savings – our Equity Lifestyle option.

We will ask you when you first start saving AVCs how you would like to invest your contributions. We will remind you in your annual statement where your AVC pot is invested. If you would like to change this, you can.

All our investment choices are managed by Legal & General.

How will I take my AVCs when I retire?

Before you make an investment choice, think how you might take your AVCs when you retire. Pick an investment option which suits this. If you are interested in taking as much cash as you can, our Lifestyle options are ideal for this.

If you might transfer your AVCs and take advantage of other options, you might want to pick your own investments.

Target retirement date

Most people do not know exactly when they will retire, but it can help to have an idea of when this might be.

Both Lifestyle options line up your AVCs ready for you to take it at a specific date. This is your Target Retirement Date. If you do not tell us when you think this might be, we will pick age 68 for you.

Picking the right date can be important. If you take your AVCs much later than your Target Retirement Date your money will be invested in Cash for longer, so inflation might start to erode its value.

Can I switch my investments?

Yes. You can switch at any time. All you need to do is fill out a new AVC form and we will switch your AVCs for you.

Find an AVC switch form at

www.churchofengland.org/switch-clergy-avcs

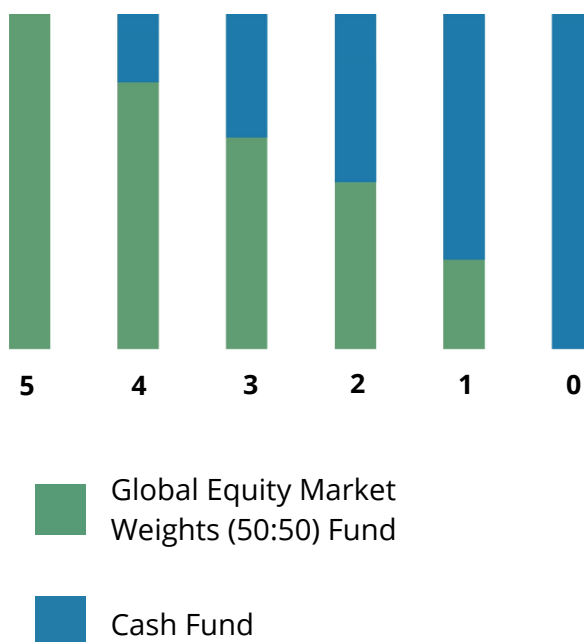
Equity Lifestyle

This is our default investment option. It invests your AVCs in higher risk funds while you are some way from retirement and automatically switches your savings into safer funds when you are 5 years from your Target Retirement Date.

Until you are 5 years from your Target Retirement Date your AVCs are invested equally between company shares in the UK and overseas.

Once you reach the 5-year point before your Target Retirement Date, your pot automatically switches to cash.

The switch happens gradually, with a portion of your AVCs switching every quarter until it is fully invested in Cash.

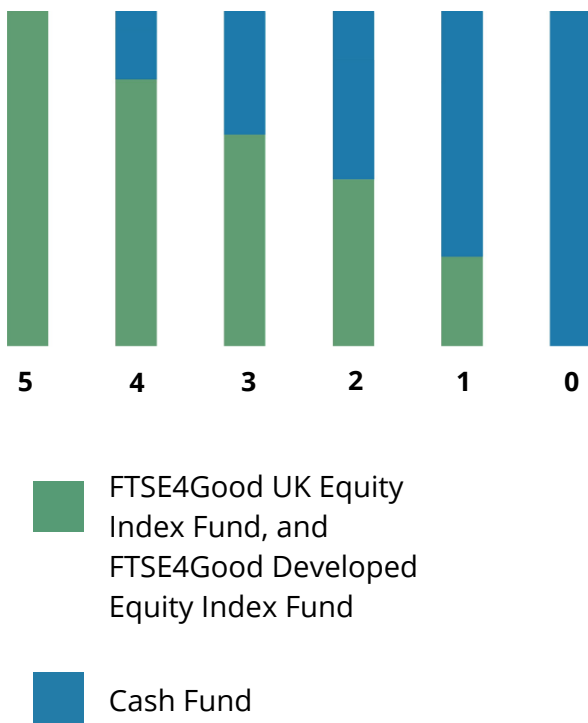


FTSE4Good Lifestyle

This is an responsibly invested alternative to our default option. It works in the same way, but it has responsible investment considerations.

Until you are 5 years from your Target Retirement Date your AVCs are invested equally between company shares in the UK and overseas. Both funds invest in the FTSE4Good.

Once you reach the 5-year point before your Target Retirement Date, your pot automatically switches to cash. The switch happens gradually, with a portion of your AVCs switching every quarter until it is fully invested in Cash.



Pick my own investments

If you feel confident to pick your own investments, you can choose one or more of the 9 investment funds we offer on page 11.

If you are some way from taking your pot you probably want to focus on growth, so higher risk funds might be suitable.

If you are closer to retirement you might be more concerned with avoiding risk, so medium or lower risk funds may be best.

You might want to pick several funds across different asset groups to spread your risk. If you choose high risk funds, you could switch to lower risk funds as you approach retirement.

If you choose your own investments, you need to decide:

- how much risk you want to take,
- how much to invest in each fund,
- how often you review this,
- whether you need to switch funds, and
- when to switch funds.

The higher the potential reward from an investment, the greater the risk the value could fall.

Funds with lower risk can give lower returns over the long-term. If you invest too safely for too long, you might get a low return, and inflation could exceed your returns meaning you lose money in real terms.

Pay attention to the annual management charge for each fund. This is how much Legal & General take from your pot each year to run your investments.

The higher the cost, the more of your pot Legal & General take as a running fee each year. Over time, these costs can add up. The NCIs do not charge you anything.

You should review your choice of funds regularly. You can change your investment choices at any time. You can see the past performance of each fund at www.churchofengland.org/clergy-pensions

Risk	Category	Fund	Cost (%)
Low risk	Cash	Cash Fund The fund aims to perform in line with 7 Day GBP LIBID, without incurring excessive risk.	0.125
Lower risk	Gilts and bonds	Over 5 Years UK Index-Linked Gilts Fund The investment objective of the fund is to track the performance of the FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index.	0.1
		Over 15 Years Gilts Index Fund The investment objective of the fund is to track the performance of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index.	0.1
		AAA-AA-A Corp Bond All Stocks Index Fund The investment objective of the fund is to track the performance of the Markit iBoxx £ Non-Gilts.	0.15
High risk	Unrestricted equities	Global Equity Market Weights (50:50) Index Fund The investment objective of the fund is to provide diversified exposure to UK and overseas equity markets. A 50/50 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE World (ex-UK) Index.	0.2
		World (ex UK) Equity Index Fund The investment objective of the fund is to track the performance of the FTSE World (ex UK) Index	0.2
		UK Equity Index Fund The aim of the fund is to track the performance of the FTSE All-Share Index.	0.1
High risk	Responsibly invested equities	FTSE4Good Developed Equity Index Fund The investment objective of the fund is to track the performance of the FTSE4Good Developed Index.	0.3
		FTSE4Good UK Equity Index Fund The investment objective of the fund is to track the performance of the FTSE4Good UK Equity Index.	0.2

