



## Increasing your Pension Benefits

### Introduction

As a member of the Local Government Pension Scheme (LGPS), you are already paying contributions from your pay to build up a pension. However, there are two ways in which you can increase your pension benefits in the LGPS. One is known as making Additional Voluntary Contributions (AVCs) and the other is Additional Pension Contributions (APCs).

### Additional Voluntary Contributions (AVCs)

An AVC is a pot of money you can contribute to and build up to give you extra benefits alongside your LGPS benefits. The contributions are taken from your pay before your tax is taken out. So, if you are a 20% taxpayer and wish to put £100 into your AVC pot each month, you only need to pay £80, as the remaining £20 will come from your tax relief. You have your own AVC account and can choose how your pot of money is invested with the AVC provider.

An AVC is a flexible way to increase your pension benefits. You can pay up to 100% of your pensionable pay (less statutory deductions, such as national insurance and pension contributions) into your AVC plan. You can also increase or decrease the contributions that you wish to pay, as well as changing how the money in your AVC plan is invested.

If you die in service, your AVC plan will be used as an additional death grant and paid out to your beneficiary/beneficiaries, in accordance with your Expression of Wish. If you have not made an expression of wish, the monies will be paid to your Estate.

Your Employer has the discretion to also pay towards your AVC. This is known as a Shared Cost AVC (SCAVC). You will need to check with your Employer to see what their policy is regarding SCAVCs.

### Options when you retire from the LGPS

When added to the Capital Value of your LGPS benefits, you can potentially withdraw up to 100% of your AVC plan as tax-free cash if the combined value does not exceed 25% of the HMRC's Capital Value limit.

If this limit is exceeded, it means you cannot take 100% of your AVC plan as tax-free cash. The remaining amount will then be used to purchase an additional amount of annual pension in the LGPS or elsewhere.

You can use your AVC plan to buy additional annual pension within the LGPS.

You may be able to use your AVC plan to buy an annuity from the in-house AVC provider (if this option is available) or any other provider of your choice (an annuity being a fixed amount of money paid each year until a particular event, such as death).

## **Additional Pension Contributions (APCs)**

An APC is a contract to buy an additional amount of annual pension from the Pension Fund. On 1 April 2014, a cap of £6,500 per annum was put in place to limit the amount of annual pension that you can purchase in the LGPS. This cap has been inflation proofed every year since then. The current cap is shown on the online APC calculator:

<https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/>

You can choose to buy the extra pension by paying a one-off lump sum payment or by spreading the cost over a set number of complete years (a minimum of a year). These contributions can be taken from your pay in the same way as your pension contributions. They are also taken before your tax is worked out, so if you pay tax you will automatically receive tax relief on your contributions.

If you pay by making a one-off lump sum you can do so either by a deduction from your pay or by making a payment directly to the Pension Fund. If you pay direct to the Fund, you will need to speak to HMRC to arrange for the relevant tax relief to be recovered, as this will not be paid back to you by the Pension Fund.

Any additional pension bought will be added to your annual pension for the rest of your life. In the event of your death, no extra pension benefits will be payable to your survivors for the extra pension bought (as the APCs buy extra pension for you only).

If you claim your pension before Normal Pension Age (NPA), early retirement reductions will be applied to your pension and the additional pension you bought via your APC.

The cost of the APC is based on your age and gender using factors provided by the Government Actuary's Department (GAD).

Your Pension Fund may ask you to undergo a medical examination by a Registered Medical Practitioner to obtain a certificate, at your own expense, to confirm that you are in 'reasonably good health' before you can start paying APCs.

You can use the link below to calculate the cost of an APC:

<https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/>

## Other Options

Other pension arrangements are also available, which are separate to your LGPS pension. These include contributing to a Free Standing AVC Plan (FSAVC) or a Personal Pension Plan / Stakeholder Pension Plan.

Please note that with an FSAVC you can only take 25% of the AVC fund as tax-free cash and the rest as an annuity, so they do work differently to the LGPS AVC plan. Further information regarding these other options can be found at banks, building societies or insurance companies.

## Annual Allowance

If you are thinking about increasing your LGPS pension by a large amount or, you are thinking of making sizeable AVC payments each tax year, it may mean that you could exceed the Annual Allowance limit.

The Annual Allowance is the amount by which the value of your pension benefits may increase in a year without you having to pay a tax charge. If the value of your pension savings in a year (including pension savings outside of the LGPS) is more than the annual allowance limit, the excess may be taxed as income. The current annual allowance limit is £40,000.

You may wish to seek Independent Financial Advice about this, as the Pension Fund is unable to provide any advice on this matter.

## Further information

This factsheet gives general guidance only, if you need further information, please contact the Pension Fund:

**Tel:** 01352 702980 / 01352 702950

**Email:** [pensions@flintshire.gov.uk](mailto:pensions@flintshire.gov.uk)

## Disclaimer

The Pension Fund is unable to provide any financial advice. After reading this factsheet, you may want to seek independent financial advice to make an informed decision.

These bodies may be able to help you:

**Unbiased:** <https://unbiased.co.uk>

**MoneyHelper:**

<https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser?source=mas>