

Increasing your pension benefits



Local Government
Pension Scheme



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

Increasing your pension benefits

As a member of the Local Government Pension Scheme (LGPS) you already pay into an excellent occupational pension scheme that provides very secure pension benefits for your retirement.

Despite the LGPS providing you with a whole range of excellent benefits you may feel that you would like a little more to enable you to enjoy a happy and comfortable retirement. You may therefore wish to consider paying extra pension contributions which is a very tax-efficient way of topping up your income in retirement.



There are a number of ways in which you can pay extra pension contributions:

- **Additional Pension Contributions (APCs) into the LGPS;**
- **Additional Voluntary Contributions (AVCs) to an approved in-house provider;**
- **Free Standing Additional Voluntary Contributions (FSAVCs) to a provider of your choice;**
- **Stakeholder Pension Plan;**
- **Personal Pension Plan.**

Each of these options will be explored in this leaflet. First though, a word about 'Added Years' and 'ARCs'.

Added years

Before a change in Scheme regulations on 1 April 2008 it was possible for scheme members to buy additional membership of the LGPS commonly known as 'added years'. Since that date, however, it has not been possible for scheme members to elect to purchase added years.

If you were a member of the LGPS before 1 April 2008 and elected to buy added years you may still be paying these additional contributions as all contracts entered into before 1 April 2008 have been honoured.

Added years provided additional LGPS benefits which were very secure and calculated in accordance with pension scheme regulations in force prior to 1 April 2008.

Additional Regular Contributions (ARCS)

ARCs were introduced to the LGPS on 1 April 2008 and have been replaced from 1 April 2014 with Additional Pension Contributions (APCs).

If you had an existing ARC contract in force prior to 1 April 2014, this will continue from April 2014 on the terms of the original contract.

You will find further information about APCs on page 3 of this factsheet.

Additional Pension Contributions (APCs)

Additional Pension Contributions (APCs) were introduced to the LGPS on 1 April 2014 and replaced the previous option to pay Additional Regular Contributions (ARCs).

You can choose to pay APCs in order to purchase additional pension payable by the LGPS on top of your normal LGPS benefits. You can elect to purchase additional pension up to a maximum of £6,822 (the maximum amount of additional pension you can buy may increase each year in line with the cost of living rise). You can elect to pay APCs monthly over a period of time, or you can buy extra pension by paying a one-off lump sum. The cost (a cash amount NOT a percentage of pay) is determined by your age, term of payment and the amount you wish to purchase.

In order to pay APCs you must contact the Pension Team and we will provide you with a quotation and a form to complete should you wish to proceed with the payment of APCs.

The amount that you can pay will be determined in line with guidance issued by The Government Actuary who has authority to re-determine that amount from time to time.

You can stop paying APCs before the end of your APC payment period and must cease paying APCs if you leave the LGPS or elect to enter the 50/50 section of the Scheme. You will be credited with additional pension of an amount determined by The Government Actuary having regard to the APCs you have already paid.

If you have to leave your employment due to permanent ill health or you die in service you will be treated as having paid your APCs up to the end of your APC payment period.

Can I buy APCs to increase my pension whilst a member of the 50/50 section?

No, you can only purchase additional pension through APCs if you are in the MAIN section of the scheme. Additional Pension via APCs is not available for members to purchase if they are paying into the 50/50 section of the scheme.

If you are currently in the 50/50 section of the LGPS then you will need to opt into the MAIN section in order to commence payment of APCs.

To find out the cost of purchasing additional annual pension please visit www.lgpsmember.org or alternatively contact the Berkshire Pension Team on **0845 602 7237**.

A note about Survivors benefits and APCs

It is important to note that you can only elect to purchase additional pension for yourself only and you are unable to provide for a survivor's benefit.

IMPORTANT NOTE:

If you cease payment of APCs earlier than the end of the prescribed payment period because you choose to opt out of the LGPS or you choose to leave your employment voluntarily or a decision is taken by your employer to end your employment you will only be entitled to a pro rata of the additional pension you elect to purchase. Any amount of additional pension purchased, whether a pro rata or the full amount purchased will be subject to a percentage reduction if payment of your benefits commence before your Normal Pension Age. A percentage reduction will also be applied if you decide to purchase additional pension by way of a 'one-off' lump sum payment.

The only exception is if you retire due to permanent ill health, you will be treated as having paid the full value of your APCs to the end of your prescribed payment period and, therefore, your pension will be calculated taking into account the full amount of additional pension that you elected to purchase – even though you would not have completed all payments – and a percentage will not be applied to reflect payment before Normal Pension Age.

Additional Voluntary Contributions (AVCs)

You can pay additional pension contributions to the in-house AVC scheme as run by The Prudential Assurance Company.

You can pay a monthly contribution and choose how you would like your contributions to be invested. AVCs are invested separately from the main LGPS Fund and a number of investment opportunities are available to you. AVCs are deducted through payroll and you therefore receive tax relief automatically on the contributions you pay at your marginal rate. This means that your LGPS contributions and your AVCs are deducted from your gross pay before income tax is calculated.

Deductions commence from the next available pay day following your election to pay AVCs and you can vary or cease payment at any time whilst you are contributing to the LGPS.

If you leave local government employment and transfer your LGPS benefits to another scheme you can also normally transfer your AVC fund as well.

At retirement you will have a number of options available to you:

- Use your AVC Fund to buy an annuity from an Insurance company, bank or building society of your choice (although you can defer purchasing an annuity until, at the latest, the eve of your 75th birthday);
- Buy an additional amount of annual pension within the LGPS;
- Use your AVC Fund to increase your tax-free cash

Where to find out more...contact Prudential on 0345 607 0077, or visit www.pru.co.uk/rz/localgov/england-wales/

Remember that the value of your AVC fund can go down as well as up and you may not get back the amount invested.

Changes to pre- April 2014 AVC contracts - If you are a member of the LGPS who is, or was, paying AVCs and the contract to pay those AVCs started before 1 April 2014, you will see some changes to the way your AVCs are calculated and how you can take your AVC plan.

If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay into your AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

When you take your AVC plan:

- if you leave the scheme with a deferred benefit you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.
- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.
- if you die before taking your AVC and a lump sum is to be paid from your AVC plan the pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

For information about the other ways you can use your AVC plan see the national LGPS website - www.lgpsmember.org/more/AVCOptions.php

Some points to consider:

- An annuity is an amount of additional pension benefit. You can choose the type of pension that best suits your needs e.g. a flat-rate pension for yourself or one that increases each year, or perhaps a pension that will include a pension for your spouse or partner in the event of your death.
- Annuities are subject to annuity rates that in turn are affected by interest rates.
- You may be able to take up to 100% of your AVC Fund as tax-free cash at the same time as drawing your LGPS benefits without incurring a tax charge subject to HM Revenue & Customs limits. If you defer taking your AVCs until some time after your LGPS benefits have been brought into payment, you will only be able to take a maximum of 25% of your AVC Fund as tax-free cash without incurring a tax charge.
- If you have previously contributed to a free-standing AVC plan you may be able to transfer the accumulated FSAVC Fund into the LGPS but not into your in-house AVC arrangement.

Free Standing Additional Voluntary Contributions (FSAVCs)

An FSAVC plan is similar to an AVC plan except that it is completely independent of the LGPS. You therefore choose your own provider and make your own arrangements to pay contributions to your FSAVC plan. Therefore, your contributions will not be deducted through payroll and you will not receive tax relief at source. Instead you will have to claim the tax relief from HM Revenue & Customs yourself.

You may also find that an FSAVC plan involves higher charges than an AVC plan and an FSAVC plan does not offer the option of buying benefits within the LGPS at retirement.



Stakeholder or Personal Pension Plan

You can make your own arrangements to pay contributions to a stakeholder pension scheme or a personal pension scheme at the same time as being a member of the LGPS. Any contributions you pay will receive tax relief up to 100% of your earnings.

These arrangements are similar to those offered under an AVC or FSAVC plan as you have your own account that builds up over time. These schemes are often known as money purchase schemes and therefore the benefits you receive at retirement are determined by how much you have contributed to the scheme, how well it has been invested over the years and what the market conditions are at the time you retire.

There are, of course, other ways to save for your retirement other than by paying more pension contributions e.g. National Savings, ISAs, Venture Capital Trusts etc.

Please note that no one employed by the Royal County of Berkshire Pension Fund can give you financial advice and you should always seek your own independent financial advice before making a final decision.

Request for Further Information

If you are interested in receiving further details about the payment of Additional Pension Contributions (APCs) in order to increase your LGPS pension please complete the quotation request form on the page opposite and return to:

**The Royal County of Berkshire Pension Fund,
Minster Court
22-30 York Road
Maidenhead
Berkshire
SL6 1SF**

You can even fax this form once completed to:
01628 796 700

If you would like further information on the contents of this factsheet you can call the Pension Team on 0845 602 7237 or e-mail: info@berkshirepensions.org.uk

For further information about paying Additional Voluntary Contributions (AVCs) you can contact the Prudential on 0345 607 0077 or visit their website at www.pru.co.uk/rz/localgov/avcs/

Find out more online....

Further information regarding the Local Government Pension Scheme can be found on our website where you will also find more factsheets, forms and guides.

Visit www.berkshirepensions.org.uk



http://

Additional Pension Contributions (APCs)

Request for Further information

Request for further information in respect of paying Additional Pension Contributions (APCs)

Surname: _____ Title: (Mr, Mrs, Ms, Other) _____

Forename(s): _____

Partnership Status: (Married, Single, Cohabiting Partner, Civil Partner, Other):

Date of Birth: _____ National Insurance No: _____

Home Address: _____

Postcode: _____

Employer: _____ Pay Ref: _____

Signed: _____ Date: _____

Please return this form to:

**The Royal County of Berkshire Pension Fund,
Minster Court,
22-30 York Road,
Maidenhead,
Berkshire
SL6 1SF**

Or you can fax us on 01628 796 700



Contact Us

More detailed information about the Scheme is available from the Pension Team:
Royal County of Berkshire Pension Fund, Minster Court, 22-30 York Road
Maidenhead, Berkshire, SL6 1SF

Tel: 0845 602 7237 Fax: 01628 796 700 E-mail: info@berkshirepensions.org.uk
www.berkshirepensions.org.uk



Don't forget you can now view your pension information online through our online service - **'my pension ONLINE'**.

'my pension ONLINE' enables you to securely update your personal details, perform benefit calculations and update your nominated beneficiaries from the comfort of your own home or workplace.

It's easy to sign up - just visit our website at www.berkshirepensions.org.uk and click on the 'my pension ONLINE' logo.

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If you would like this factsheet in large print or audio please contact us on 01628 796754 or e-mail info@berkshirepensions.org.uk