

Royal County of Berkshire Pension Fund

Increasing your pension benefits

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 several 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 factsheet. 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.

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 **£8,344** (current limit applicable from 1 April 2024). 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.

To find out the cost of purchasing additional annual pension through APCs you can use the online APC calculator: <https://www.lgpsmember.org/help-and-support/tools-and-calculators/> Alternatively you can contact the pension team for more information.

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. Any such adjustment would become effective from 1st April following the re-determination. If this applies, the Royal County of Berkshire Pension Fund will let you know how much your contributions will change by.

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 leave 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 01628 796 668.

A note about survivors' pension

It is important to note that you can only elect to purchase additional pension for yourself. APCs and retiring early

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 several options available to you:

- **Use your AVC Fund to increase your tax-free cash**
- **Use all of your AVC Fund to purchase an Annuity Pension. In this event we would request Prudential arrange with their third-party provider, HUB Financial Solutions, to contact you with details of the Annuity Pension options they can offer. Of course, you can instead choose to independently find your own open market annuity provider**
- **Use your AVC fund value to buy an additional amount of annual pension within the LGPS**

Where to find out more - visit <https://www.pru.co.uk/rz/localgov/>

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

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.

‘my pension ONLINE’

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 and click on the **‘my pension ONLINE’** logo.



More information

More detailed information about the scheme is available from the pension team at the following address: **Royal County of Berkshire Pension Fund, Zone C Town Hall, St Ives Road, Maidenhead, Berkshire, SL6 1RF**

Tel: 01628 796 668

E-mail: info@berkshirepensions.org.uk

Web: www.berkshirepensions.org.uk