

## Topping up your Pension

As a member of the Local Government Pension Scheme (LGPS), you will already be paying a contribution rate that is calculated with reference to your annual pensionable pay.

However, Her Majesty's Revenue and Customs (HMRC) allow you to pay up to 100% of your income in pension contributions to provide for benefits when you retire. Therefore, once all statutory deductions have been made, including your LGPS contribution, the remainder of your pay can be used to enhance your pension benefits.

There are two options available to you under the LGPS, should you wish to increase your pension benefits.

### Option 1

#### Additional Voluntary Contributions (AVC)

If you choose to pay into this type of arrangement, you will gain tax relief on the contributions that you make from your salary. Your contributions will be held with the Pension Fund's chosen in-house provider(s), which is invested separately from the Scheme's main fund. There are a range of investment options available to you.

This option is very flexible, as it is entirely up to you as to how much you wish to contribute (subject to 100% of your pay less any statutory deductions). You can also choose to increase or decrease your contribution as you wish, as well as change your investment option(s).

When you retire, you will have the option to:

- use your AVC fund to buy an annuity from the in-house provider 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);
- use your AVC fund to buy an additional amount of pension within the LGPS;
- withdraw up to 100% of your fund as tax-free cash (subject to HMRC limits) and use the remainder to buy an additional amount of pension within the LGPS.

For further information on the AVC option, please contact the Pension Fund.

### Please Note

The option to withdraw up to 100% of the AVC fund as tax-free cash (subject to HMRC limits) upon retirement is correct as at the time of publication (April 2018).

### Option 2

#### Additional Pension Contributions (APC)

This allows you to purchase an 'additional annual pension amount' via an APC arrangement, up to a maximum of £7,194 (2020/21) (in total if you have more than one employment). Note that this amount will be revalued annually in line with the appropriate cost of living.

The cost of purchasing the additional pension is calculated with reference to guidance issued by the Government Actuary's Department (GAD) and is based on your age and gender. Whilst the repayment amount is fixed, it can be purchased as a one off lump sum **OR** monthly over a period of your choice (subject to a minimum of 12 months). Either way, you will attract tax relief on the additional contributions made from your salary.

If you wish to repay monthly, you may be required to undergo a medical examination by a Registered Medical Practitioner, whereby you obtain a certificate at your own expense to certify that you are in 'reasonably good health'.

Any additional pension purchased will then be added to your standard pension upon your retirement. However, in the event of your death, NO pension benefits will become payable to your survivor's in respect of your additional pension.

In order to assess the cost of purchasing additional pension, you are able to access the online **APC Modeller** under the following link:

<https://www.lgpsmember.org>

### Option 3

#### Alternative Arrangements

You may also wish to consider options that are external to the LGPS. These include contributing to a Free Standing AVC Plan (FSAVC) or a Personal Pension Plan / Stakeholder Pension Plan. In order to gain further information on these options, you will need to speak to a Bank, Building Society or Insurance Company, or alternatively seek Independent Financial Advice.

### Financial Advice

Please note that the Pension Fund is unable to provide any financial advice. Once you have considered this information, you may need to seek Independent Financial Advice before making a decision.

### Further Information

This factsheet gives general guidance only. For further information, please contact:

Tel: **01443 680 611** Email: [pensions@rctcbc.gov.uk](mailto:pensions@rctcbc.gov.uk)

This document is also available in Welsh.



ALL WALES PENSION FUNDS

# factsheet



**Topping up your  
Pension in the LGPS**