

Increasing my pension benefits with the Local Government Pension Scheme Q&As

Introduction

As a member of the Local Government Pension Scheme (LGPS) you can choose to pay more to give you extra pension benefits when you retire.

The two main ways of doing this are by:

1. Buying extra pension through the LGPS by paying additional pension contributions (APCs).
2. Paying extra contributions to an in-house additional voluntary contribution plan (AVCs).

With both of these, contributions are taken from your pay and the tax relief (at your highest rate) is automatically given through the payroll. This means that tax is worked out on your pay after your pension and extra contributions have been taken.

1. Buying APCs

How much extra pension can I buy?

- The maximum annual pension you can buy is £7,026.
- You can't buy extra pension on a monthly basis if you're a year or less from your Normal Pension Age (NPA), or you're over your NPA. You can only pay a lump sum. Your NPA is your state pension age, with a minimum age of 65.

How do I pay for my extra pension?

- Monthly payments taken from your pay, or
- A lump sum payment from your pay, or
- A lump sum direct payment to the pension fund.

How much will my extra pension cost?

- The cost is based on your age, the amount of extra pension you want to buy and the length of time you wish to buy it over. You can use the [calculator](#) on the LGPS website to help you work out the cost of buying extra pension. You can also fill in this [form](#) and email it to pensions@northamptonshire.gov.uk for a quote.

Can I buy extra pension if I'm a member of the 50/50 section?

- No, you can't buy an APC if you're a member of the 50/50 section.

How do I start paying?

- Firstly, you'll need to get a registered medical practitioner to fill in our [medical certificate](#)
- You'll then need to tell us the how much you'd like to buy and if it's on a monthly basis from your pay and how long for.

Will the payments change if I'm buying the extra pension on a monthly basis from my pay?

- They could do. They'll stay the same unless the Ministry of Housing, Communities & Local Government makes a change.

If I want to stop paying the extra contributions, what will happen?

- If you choose to stop paying APCs at any time, you'll be credited with the extra pension that you've paid for. You can also choose to pay an APC at a later date.

Can I continue payments if I am on unpaid leave or leave the scheme?

- If you're off sick or on reduced pay you must keep up your contributions. If you're not being paid we'll pay your contributions on your behalf.
- If you're on child related leave or authorised leave you must keep making your contributions. If you're not being paid, the payments due roll over as a debt to be taken from your pay when you go back to work.
- You may only make payments whilst you're an employee and pay into the scheme.

If I retire after my normal pension age, when will I receive my extra pension?

- You'll get it at the same time as your Local Government pension and no arrears will be paid.

What happens if I retire before I have finished the payments?

- If you retire before you've finished your payments, you'll be credited with the extra amount you'd bought at that time and the extra pension would be subject to an early payment reduction.
- However, if you retire with a Tier 1 or Tier 2 ill-health pension, the contract will be paid in full and the remaining amount of additional pension will be bought on the date you left.

If my marriage or civil partnership is legally ended, will my additional pension be taken into account as part of my financial settlement?

- Yes, we'll be asked to give information to the court in the same way as we're asked to give information about your scheme benefits.

Will the extra pension increase each year like my scheme pension?

- Yes, the extra pension will be increased each year, both before and after the extra pension is paid.

Can I also buy an extra lump sum?

- No, this isn't possible, but you'll be able to give up some of your extra annual pension to get a lump sum at a rate of £1 of annual pension for £12 of lump sum within Her Majesty's Revenue and Customs (HMRC) levels.

2. Additional Voluntary Contributions (AVCs)

Instead of buying additional pension within the LGPS, you may prefer to pay into an in-house AVC plan. Changes to the rules on AVCs now mean that saving for retirement is more flexible.

How do AVCs work?

You can pay up to 100% of your pay into an AVC plan, after allowing for any tax relief, national insurance, or any other deductions you may have. If you pay into this type of arrangement, your AVCs will be invested separately from the scheme's main fund. You'll have your own account, which will build up over time. When you retire, you can choose how to use your fund.

What are the choices when I take my main LGPS benefits?

AVCs are very flexible:

- You can take some or all of your AVC fund as a tax-free lump sum, as long as:
 - when added to any lump sum you take from your main LGPS benefits, does not exceed 25% of the overall value of your LGPS benefits, including the value of your AVC plan; or
- your maximum tax-free lump sum does not exceed 25% of the lifetime allowance (LTA) or 25% of your remaining LTA. If you are unable to take all of your AVC fund as a tax-free lump sum, you can use the rest to buy extra pension within the LGPS, or buy an annuity from an insurance company, bank or building society of your choice.
- You can use the AVC fund for pension only, within the LGPS or from an insurance company, bank or building society of your choice.

Is there anything else to consider?

- Your decision is made at retirement, not when you start saving.
- You can start, stop or change how much you pay to suit your circumstances.
- You do not need medical clearance to start paying AVCs.
- If you stop paying into your AVC fund, you can choose to transfer your AVC fund to one or more different pension arrangements, even if you're still an active member of the main LGPS scheme.

How do I get independent financial advice?

Any decisions about your pension are an important financial decision and we always recommend that you seek independent financial advice. You can use your local phone book or type "independent financial services" into any web browser to search for advice.

The site <http://www.unbiased.co.uk/questions-ask-ifa> has some useful questions to ask an adviser before deciding whether to use them.

The Consumer Financial Education Body was set up by the Financial Services Authority and their website, www.moneyadviceservice.org.uk has information on a wide range of topics, including getting financial advice. They can also be reached by telephone on 0300 500 5000.