



Topping up your Local Government Pension Scheme benefits

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Section 1 – How can I top up my pension?

You can top up your Local Government Pension Scheme (LGPS) benefits by paying:

- Additional pension contributions (APCs) to buy extra LGPS pension
- Additional voluntary contributions (AVCs) arranged through the LGPS (in-house AVCs)

There's no overall limit on the amount of contributions you can pay, (although there is a limit on the extra scheme pension you can buy and on the amount of additional voluntary contributions you can pay). However, tax relief is only given on contributions up to 100% of your UK taxable earnings or, if greater, £3,600 to a "tax relief at source" arrangement such as a personal pension or stakeholder pension scheme.

You can also improve your retirement benefits outside of the LGPS by paying:

- Free standing additional voluntary contributions (FSAVCs) to a scheme of your choice
- Contributions into a stakeholder or personal pension plan

Section 2 – Paying APCs

If you're in the main section of the LGPS, you can pay extra contributions to buy up to £8,344 of extra pension. This figure increases each year in line with the cost of living. You can also use APCs to buy back pension lost during periods of authorised absence on no pay, or periods on no pay because of a trade dispute.

Any extra pension bought is paid each year in retirement on top of your normal LGPS benefits. You can pay extra contributions either by regular contributions from your pay, or by a one-off lump sum. If your employer chooses to pay towards your APC arrangement, this is called shared cost additional pension contributions (SCAPC).

If you're in the 50/50 section of the LGPS, you can't pay APCs or SCAPCs. If you've an existing APC or SCAPC contract and go into the 50/50 section, the contract must end.

Paying APCs through regular contributions

You can buy extra pension by spreading payment of APCs over several complete years (unless we think it wouldn't be practical to allow APCs to be paid by regular contributions,



where payment could be made by lump sum). Any extra regular contributions would be taken from your pay like your basic contributions. Your LGPS contributions and APCs are taken before your tax is worked out. So, if you pay tax, you get tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

The minimum period you can spread payment of APCs over is twelve months. The maximum period is the number of years to your normal pension age. The latest you can take out an APC contract is one year before your normal pension age.

At the end of every scheme year, the amount of extra pension you have paid for that year is added to your pension account.

You can stop paying APCs at any time by telling us in writing. You'll be given the extra pension you've paid for when stopping payment.

If you take your pension before normal pension age, the extra pension bought has an early payment reduction applied. This is unless your retirement is because of ill-health. If you draw your pension after normal pension age, it's increased.

Paying APCs by lump sum

Instead of paying APCs over time, you can buy extra pension by making a one-off lump sum payment. This can be done through your pay or paid directly to us. If you choose to make payment to us, you'll need to arrange tax relief directly with HMRC as the contributions aren't being taken from your pay.

You can make a lump sum payment to buy extra pension through an APC at any time whilst paying into the main section of the scheme.

The amount of extra pension you buy is added to your pension account the year payment is made.

Section 3 – APCs frequently asked questions

What's the cost of buying APCs?

The cost of buying extra pension is worked out in line with guidance from the Secretary of State for the Department for Levelling Up, Housing and Communities. This can be reviewed



at any time. The extra pension you're buying is increased in line with the cost of living, both before and after you draw your pension.

The cost of any extra pension is paid for by you. This is unless your employer chooses to pay some or all the cost of the APC through use of an employer discretion.

What if I've more than one job in the LGPS?

If you've more than one job where you're a member of the scheme, you must say which pension account you want the extra pension adding to. If you want to pay APCs for each job, you must fill in a separate form for each job.

I already pay APCs or ARCs, does this affect any future APCs I wish to make?

You can buy extra pension if you've an existing APC arrangement or additional regular contribution (ARC) arrangement (from before 1 April 2014). But, the pension you're buying from these existing arrangements is considered when working out how much extra pension you can buy within the £8,344.

When can I take my APCs?

Any extra pension you buy is paid at the same time as your main benefits.

If you take benefits on flexible retirement, you can take the extra pension you've paid for. Although, your benefits will be reduced for early payment. Your APC contract will stop, but you can take out a new APC contract (if you're at least a year away from your normal pension age if you want to pay by regular contributions).

If your employer awards you an enhanced ill-health pension (either tier 1 or tier 2), the remaining amount of any APC or SCAPC contract you're paying is considered paid in full. This is added to your pension account.

If you take your pension after normal pension age, the amount of extra pension you've bought is increased. This is because it's being paid later.

On retirement, you can give up some of the extra pension you've bought for a tax-free cash lump sum, in the same way as your main LGPS pension.



What happens to my APCs if I die?

If you die in service, no extra benefits from your APC are due. This is because APCs are only for you.

If you die after leaving, but before retirement and your benefits are held in the LGPS for payment (deferred benefits), a lump sum of ten times your extra annual pension minus any extra pension already paid, may be due.

How do I buy APCs?

You can get a quote and print off an application form to buy extra pension at www.LGPSmember.org. You may have to take a medical examination at your own expense before being allowed to buy extra pension.

Section 4 – Paying (in-house) AVCs

All local government pension funds have an AVC arrangement where you can invest money through an AVC provider. The AVC provider for Shropshire County Pension Fund is the Prudential. If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the Prudential. You have your own personal account that builds up with your contributions and the returns on your investment and will be available to you when you retire. You can often choose which investment route you prefer.

You can pay AVCs if you're in the main or 50/50 section of the scheme.

You decide how much you can afford to pay. You can pay up to 100% of your pensionable pay into AVCs in each job where you pay into the LGPS. This is unless you started paying into the AVC arrangement before 1 April 2014.

Your employer can also pay towards your AVC. This is known as a shared cost AVC and is an employer discretion. You should check with your employer if they've a policy on shared cost AVCs.

AVCs are taken from your pay like your normal contributions. Your LGPS and AVC contributions are taken before tax is worked out. So, if you pay tax, you get tax relief. Tax relief (normally at your highest rate) is available on all pension contributions up to 100% of your taxable earnings, including your normal contributions.



Deductions start from the next available pay period after your request has been accepted. You may change or stop payment at any time.

You can also pay in-house AVCs for extra life cover. If your AVC arrangement includes life cover, it provides additional benefits for your dependants if you die in service. You may have to fill in a medical questionnaire before beginning payment for life cover. Any life cover paid for through AVCs stops when you leave or retire.

To find out more about AVCs, visit www.pru.co.uk/lgsite or call the Prudential on **0800 028 1493**.

Section 5 – How can I use my AVCs at retirement?

Buy an annuity

If you buy an annuity, an insurance company, bank or building society of your choice takes your AVC fund and pays you a pension in return.

You'd buy an annuity when taking your LGPS benefits. Although, an annuity is paid separately from your LGPS benefits.

The amount of annuity paid depends on several factors. These include interest rates and your age. You also have choice over the type of annuity you want. For example, do you want a flat-rate pension or one that increases every year? Do you want to provide for dependants' benefits in the event of your death?

Annuities are linked to annuity rates. These are affected by interest rates. When interest rates rise, the organisation selling annuities get a greater income from each pound in your AVC fund and can offer a higher pension. A fall in interest rates reduces the pension which can be bought.

Buy an annuity from the LGPS

If you retire with immediate payment of your benefits, you may be able to use your AVC fund to buy an annuity from the main scheme.

If you're a deferred member who entered into an AVC contract after 1 April 2014, you now also have the option to buy an annuity from the scheme.



Take your AVC as cash

You may be able to take some or all your AVC fund as a tax-free cash lump sum. But, you can only take it all as a lump sum if you take it at the same time as your main benefits. Also, when added to your lump sum, it must not be more than 25% of the overall value of your LGPS benefits (including your AVC fund).

Buy extra membership in the LGPS

If you started paying AVCs before 13 November 2001, you may be able to 'convert' your AVC fund into extra LGPS membership.

Transfer you're AVCs to another pension scheme or arrangement

If you've stopped paying AVCs, you can transfer your AVC fund to another pension scheme or arrangement. This includes schemes offering flexible benefits. You can even transfer your AVC fund if you're still paying into the LGPS.

If you were to transfer your AVC funds to a defined contribution scheme offering flexible benefits, the four main options the scheme might offer (from age 55) include:

- Purchase an annuity or scheme pension
- Taking several cash sums at different times
- Taking the entire pot as cash in one go
- Flexi-access drawdown

If you access flexible benefits this may affect the tax you pay. Income from a pension is taxable. Your tax rate depends on your pensions income and any income from other sources.

If you're thinking about taking flexible benefits, guidance is available from Pension Wise. This guidance is free and impartial. It's available through the internet, by phone, or face to face. For more information see www.pensionwise.gov.uk.

You should also take independent financial advice (mandatory if your fund is £30,000 or more) to help you decide which option is most suitable for you.

Please note, Pension Wise doesn't give guidance about taking benefits from a defined benefits scheme such as the LGPS.



If you leave before retirement, your contributions will stop. However, your AVC fund continues to be invested until it's paid out. Your AVC plan is like your main LGPS benefits: it can be transferred to another pension arrangement or taken at the same time as your LGPS benefits.

Section 6 – Tax rules and your pension savings

There are limits on the amount of pension savings you can build up before paying a tax charge.

Lifetime allowance

From April 2024, the lifetime allowance was abolished entirely.

Annual allowance

The annual allowance is the amount your pension savings can increase by in any one year without paying tax. The annual allowance for 2024/25 is £60,000. However, if you're a high earner who's subject to the tapered annual allowance, your limit may be lower.

You'd have an annual allowance tax charge if the value of your pension savings for a tax year increases by more than the annual allowance. A three year carry forward rule normally allows you to carry forward unused annual allowance from the last three tax years. So, even if you go over the annual allowance limit, you may not have to pay a tax charge.

If you're thinking about paying extra pension contributions, these contributions count towards the lifetime and annual allowance.

Lump sum limits

Two lump sum limits were introduced from 6 April 2024. If the total of all lump sums you take from UK pensions is more than one of these limits, you will have to pay extra tax. Tax on any excess is charged at your marginal rate.

In the LGPS, you can generally take up to 25% of the value of your benefits as a lump sum. Most members will not be affected because the maximum lump sum they can take is much lower than the limits. If you have built up a large pension in the LGPS or a different scheme, the new limits may affect you.



Lump sum allowance

The lump sum allowance is £268,275. It limits the amount of tax-free cash you can take from your pension.

Your pension fund must check your lump sum allowance when you take a lump sum from the LGPS. If you have already taken payment of a lump sum from the LGPS or a different UK pension scheme, this used up some of your lump sum allowance. These lump sums use up your lump sum allowance:

- pension commencement lump sum
- uncrystallised funds pension lump sum
- stand-alone lump sum.

From the LGPS, you can only have a pension commencement lump sum. However, you could receive an uncrystallised funds lump sum or a stand-alone lump sum from a different pension scheme.

Transitional protection

If you took payment of a pension before 6 April 2024, that pension used up part of your lump sum allowance and lump sum and death benefit allowance. Before the next time you take a lump sum, your pension scheme must work out how much of your allowances you have used. Under HMRC rules, they must assume that you took the maximum lump sum allowed.

For most members, this will have no effect on the lump sum they can take from the LGPS. The limits will generally only affect members who have built up very large pensions.

There is a process for members who took a pension or reached age 75 before 6 April 2024, if they did not take the maximum tax-free lump sum. They can apply for a transitional tax-free amount certificate:

- the certificate includes the total lump sums that they have taken instead of the assumed amount
- they must apply for the certificate before they take a pension lump sum after 6 April 2024
- they can apply to any scheme they are a member of for a certificate. HMRC recommends applying to the scheme that is paying the first pension lump sum after



5 April 2024 or the scheme that is paying the biggest pension that started before 6 April 2024.

If you are thinking about applying for a transitional tax-free amount certificate, you may wish to seek specialist independent financial advice. Some members could be worse off if they apply than they would be without a certificate.

If you want further information about tax and your pension benefits, please visit our website.



Contact details

The Shropshire County Pension Fund is a data controller under data-protection law. This means we store, hold and manage your personal information in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we must share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your information, who we share it with and what rights you have, you can ask for this information from the fund, please visit www.shropshirecountypensionfund.co.uk.

If you can read this but know someone who cannot, please contact us on 01743 252130 so we can provide this information in a more suitable format.

Office hours

Monday to Thursday 8.45am to 5.00pm
Friday 8.45am to 4.00pm

Helpdesk phonelines are open Monday to Friday: 10am to 4pm (excluding bank holidays).

Contact details

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

Tel: 01743 252130

Write: Pensions, PO Box 4826, Shrewsbury, SY1 9LJ

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