

A photograph of a white lighthouse with a red lantern room, situated on a rocky shore. The lighthouse is the central focus, with a staircase leading up to its base. The foreground is filled with large, dark grey rocks, and the background shows a sandy beach and the ocean under a clear blue sky.

Local Government Pension Scheme

A guide to additional voluntary contributions

April 2026

Contents

What are AVCs?	4
Shared cost AVCs	4
How do AVCs work?	5
How much can I pay in?	5
Flexible contributions	5
Get tax relief	5
How the tax relief works	5
How you save with an AVC	6
What can I do with my AVC?	6
Buy a regular income paid for the rest of your life (Open Market).....	6
Buy a top-up LGPS pension	7
Take tax-free cash	7
Buy extra membership in the LGPS	7
Leave your AVCs invested and use them later	8
Transfer your AVC fund to another pension scheme or arrangement.....	8
Some warnings and things to think about	9
Get some advice.....	9
Independent financial advice.....	9
What if my AVC is over the tax-free limit?	10
What happens to my AVC if I take flexible retirement?	10
What happens to my AVC if I leave before retiring?	10
What happens to my AVC if I die before taking it?	10
I have previous AVCs with the LGPS. Can I transfer them if I re-join the LGPS?	10
Other ways to increase your pension benefits	11
Buy extra pension in the LGPS: Additional pension contributions (APCs)	11
Freestanding additional voluntary contributions (FSAVCs).....	11
Personal or stakeholder pensions.....	12
AVCs and extra life cover	12
Tax and your pension.....	12
Limits on how much you can pay.....	12
Limits on how much pension you can build up	12

Appendix 14
 Example 1: Taking all of your AVC as tax-free cash 14
 Example 2: When your AVC is too much to take it all as tax-free cash 16
Disclaimer..... 17
Contact Us..... 17

What are AVCs?

Additional Voluntary Contributions (AVCs) are long term savings that you can only take at retirement. They're a flexible way to pay extra contributions because you can increase, decrease, stop or restart them at any time.

When you save AVCs, you pay money into a separate AVC plan in addition to the main Local Government Pension Scheme (LGPS). You build up a pot of money that you use to provide additional benefits to your LGPS benefits at retirement.

In most cases, you must take your AVC plan when you take your main LGPS benefits. We will let you know if you have a choice to delay taking your AVC.

All local government pension funds have an arrangement with an AVC provider. The Clwyd Pension Fund uses the **Prudential**. You can invest money in funds managed by them.

These arrangements are known as **in-house AVCs** and are referred to as AVCs in this guide.

You have your own personal account that builds up over time with the contributions you pay in. The amount in your account depends on how long you pay AVCs for, the impact of charges and how well the fund(s) you invest in perform. You choose how the money in your AVC plan is invested.

Your AVC plan is an investment, and the value can go down as well as up. You may not get back what you put in.

You can pay up to 100% of your pensionable pay (less statutory deductions, such as national insurance and pension contributions) into an AVC. Pensionable pay is the pay on which you normally pay pension contributions. Usually it includes salary, wages and other payments, with some exceptions.

You may wish to get independent financial advice about starting an AVC.

Shared cost AVCs

Some employers pay into your AVC plan with you if you take part in salary sacrifice; that is, an arrangement where your employer pays contributions on your behalf and you both save on national insurance.

This option is called a shared cost AVC (SCAVC). You will need to check with your employer to see if they offer shared cost AVCs, as they are set up differently. Your employer will explain what to do and how you start sacrificing some of your salary to set one up.

How do AVCs work?

How much can I pay in?

You can pay up to 100% of your pensionable pay (less statutory deductions, such as national insurance and pension contributions) into an AVC. However, if you have a large amount of money in your AVC plan at retirement, you might end up with a **residual AVC amount**.

Flexible contributions

You can choose to pay a fixed amount or a percentage of your pay, or both, into an AVC, as long as it does not go over 100% of your pay.

AVCs are taken from your pay, just like your normal pension contributions. Deductions start from the next available pay period after you set up the AVC. You may change your AVCs or stop paying them at any time while you are paying into the LGPS.

- If you pay into in-house AVCs: You must contact the Prudential if you wish to make any changes to your AVC deductions
- If you pay into shared cost AVCs: You should contact your employer to find out how to make any changes to your AVC deductions

You can pay AVCs if you are in the main or 50:50 section of the LGPS.

Get tax relief

Your LGPS contributions and AVCs are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll.

Although most people will be able to save as much as they wish into an AVC, the amount of pension tax relief they can receive is limited. See the **Tax and your pension** section at the end of this guide for more information.

How the tax relief works

AVCs are taken from your pay before tax. Any money you would normally pay as income tax automatically goes into your AVC plan instead. If you pay tax at a higher rate, your tax savings will be higher. Since the 2024/2025 tax year, if you do not earn enough to pay tax, the Government will make top-up payments. We expect HM Revenue & Customs to make the first of these payments in 2026.

For a basic rate taxpayer: a £100 investment in your AVC plan costs you £80

For a higher rate taxpayer: a £100 investment in your AVC plan costs you £60

How you save with an AVC

The Prudential will set up your own personal account. Your account builds up over time with your contributions and any investment returns you make.

The amount in your account will depend on how long you pay AVCs for, the impact of charges, and how well the fund(s) you invest in perform.

You choose how the money in your AVC plan is invested. The investments on offer will have different risk levels. The higher the risk, the higher the potential rewards. The lower the potential rewards, the lower the risk.

You may be able to spread your investments (and risks) over a number of investment areas such as equities (shares), bonds, property and cash. Each have their own risks and potential rewards.

As with all investments, the value may go up or down and you may not get back what you put in.

What can I do with my AVC?

This section explains how you can use your AVC plan in the LGPS and the option of transferring it to a different pension arrangement. Please also see the **appendix** to this guide, as it shows some examples of how you can use your AVC.

When you take your main LGPS benefits, you can use your AVC to:

Buy a regular income paid for the rest of your life (Open Market)

You can use your AVC plan to buy a lifelong, regular income, known as an annuity. This annuity is guaranteed to be paid for as long as you live. Annuities offer different features that may be of interest to you, such as improved terms if you are in poor health and annual increases to keep up with the cost of living.

When you buy an annuity, you can usually take some of your AVC plan as a tax-free lump sum at the same time. An annuity is paid completely separately from your LGPS benefits.

The amount of annuity depends on several factors, such as interest rates and your age. Generally, the older you are when you take out an annuity, the higher the income you will get.

You also have some choice over the type of annuity. For example, whether you want:

- a level annuity that provides a higher income to start with, but the payments stay the same for life
- an escalating annuity that will start at a lower rate and increase over time to keep up with the cost of living
- to provide for dependants' benefits in the event of your death

You don't have to buy an annuity from your AVC provider. It is really important that you shop around to get the best annuity rate based on your personal circumstances and the annuity features you're looking for.

You must normally buy an annuity when you take your main LGPS benefits. However, if you left the LGPS before 1st April 2014, you can leave your AVC plan invested and use it later.

Buy a top-up LGPS pension

If you paid into the LGPS **on or after 1st April 2014**, you can use some or all of your AVC plan to buy extra pension as an annuity from the Clwyd Pension Fund. The extra pension you buy will increase in line with the cost of living.

If you take this option, your dependants will automatically get extra pension in the event of your death.

Take tax-free cash

You can take some or all of your AVC plan as a tax-free lump sum, provided that:

- The total tax-free lump sum is not more than 25% of the overall value of the benefits you are taking. (The total lump sum is any lump sum you take from your main LGPS benefits plus the AVC lump sum)
- The total tax-free lump sum is not more than your lump sum allowance

The lump sum allowance is currently £268,275. It may be lower if you have already taken payment from a UK pension arrangement.

If you are over the lump sum allowance and you can't take your whole AVC as tax free lump sum, any remaining AVC must be used to buy an annuity, either on the open market or from the Clwyd Pension Fund. See the [example 2 in the appendix](#) for more details.

Buy extra membership in the LGPS

This only applies if you started paying into your AVC plan **before 13th November 2001**.

You may be able to convert your AVC plan into extra LGPS membership to increase your LGPS benefits. This will only be possible in certain circumstances such as flexible retirement, retirement on ill health grounds, or if you stop paying AVCs before you retire.

You will get a yearly pension of 1/60th of your final pay for each year of membership you buy with your AVC.

Leave your AVCs invested and use them later

If you left the LGPS before 1st April 2014, you can choose not to take your AVC plan when you take your main LGPS benefits. You can leave your AVC plan invested and use it later. You must take it by age 75.

If you do not take your AVC plan at the same time as your main LGPS benefits, your options will be different when you do take it. You will only be able to take a maximum of 25% of your AVC plan as tax-free cash. You must use the rest to buy an annuity.

If you paid into the LGPS on or after 1st April 2014, you must take your AVC plan at the same time as you take your main LGPS benefits.

Transfer your AVC fund to another pension scheme or arrangement

You can transfer your AVC plan to one or more different pension arrangements even if you are still currently paying LGPS contributions. If you were paying LGPS contributions after 31st March 2014, you can only transfer before you take your LGPS pension. You must stop paying AVCs in any LGPS job you have before you can transfer your AVC plan.

If you have more than one AVC plan, you must transfer all of your plans, even if they are held with different LGPS funds.

Different pension providers allow you to use your pension pot in different ways, including the option to buy regular income (an annuity). By transferring out to one or more different pension arrangements, you may be able to access options that are not available under the LGPS rules, such as:

- Take a number of lump sums at different stages. Usually, the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax.
- Take the entire pot as cash in one go. Usually, the first 25% will be tax-free with the rest subject to tax. (Remember, it is possible to take your whole LGPS AVC plan as a tax-free lump sum, subject to certain conditions, if you leave it in the LGPS and take it at the same time as your main LGPS benefits).
- Provide a flexible retirement income. This is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

How you take your AVC could affect how much tax you have to pay. The income from a pension is taxable; the rate of tax you pay depends on the amount of income that you receive from pensions and from other sources.

The options mentioned above have different features, different rates of payment, different charges and different tax implications.

Some warnings and things to think about

As with all financial decisions, you should think about your own personal circumstances. You should also think about the fact that money from a pension counts towards any income tax that you might have to pay.

Transferring your benefits from the LGPS could have a negative impact on your and any dependant's eventual retirement income. If you are thinking of transferring your AVC plan, you should be aware of scammers.

You can read more about [how to avoid pension scams](#) on the Pension Regulator's website.

Get some advice

Deciding how to use your AVC plan is one of the most important financial decisions you are likely to make. We recommend that you get guidance and/or independent financial advice to help you decide which option is most suitable for you when you leave / decide to take your benefits.

Pension Wise is a free, impartial service offered by the Government. If you are over 50, Pension Wise can help you understand your defined contribution pension options (for example AVCs). You can find out more by visiting the [Pension Wise page](#) of the Government's MoneyHelper website, or by calling **0800 138 3944** to book a phone or face-to-face appointment.

Because it is such an important decision, the Clwyd Pension Fund is not allowed to proceed with your application to take your AVC until you have either received guidance from Pension Wise or told us that you do not wish to take it. This is a legal requirement.

We can offer to book a Pension Wise appointment for you when you contact us about taking your AVC plan.

Independent financial advice

You can also get help [choosing a financial adviser](#) from the MoneyHelper website.

MoneyHelper offers free and impartial money advice, including pensions and retirement information.

The Financial Conduct Authority is the regulatory body for independent financial advisers.

The Personal Finance Society is the professional body for financial advisers. It provides access to appropriately qualified members who commit to the highest professional and ethical standards.

Unbiased is a website listing regulated and independent financial advisers, mortgage brokers, solicitors and accountants. It checks that everyone is registered with the Financial Conduct Authority (FCA).

What if my AVC is over the tax-free limit?

A residual AVC is the part of your AVC plan that you can't take as a tax-free lump sum when you take your LGPS pension. This happens when you reach the 25% tax-free limit, so some AVC is left over. This leftover amount must be used in another way. In the LGPS, you can use a residual AVC to **buy extra LGPS pension** or to **buy an annuity on the open market**. It is unlikely that your AVC will go over the 25% limit, but please think about this when deciding how much to contribute into your AVC. If you are unsure, you should get independent financial advice.

What happens to my AVC if I take flexible retirement?

If your AVC plan started before 13th November 2001, your AVC contract will end when you flexibly retire. You will have to use your whole AVC plan in one of the ways set out earlier in this guide when you take flexible retirement.

If your AVC plan started after 13th November 2001, you can choose to take all or none of your AVC plan when you take flexible retirement. If you want, you can continue paying AVCs, but you will need to set up a new AVC account.

What happens to my AVC if I leave before retiring?

If you leave before retirement, your contributions will stop when you leave.

The value of your AVC plan will continue to be invested until it is paid to you. You can transfer your AVC plan to one or more different pension arrangements or take it at the same time as your LGPS benefits.

What happens to my AVC if I die before taking it?

If you die before taking your AVC plan, it will be paid as a death grant lump sum. Your AVC provider will pay the amount to your LGPS pension fund, who will then pay it in line with LGPS rules.

If you have chosen to pay AVCs to purchase life cover, a death in service lump sum and/or dependants' pension will also be payable.

I have previous AVCs with the LGPS. Can I transfer them if I re-join the LGPS?

If you combine your main LGPS benefits, the AVCs you have built up must normally be transferred to an AVC arrangement offered by your new LGPS pension fund.

Other ways to increase your pension benefits

Buy extra pension in the LGPS: Additional pension contributions (APCs)

An APC is a contract to buy an additional amount of annual pension from your LGPS fund. On 1st April 2014, a limit of £6,500 per year was put in place to cap the amount of annual pension that you can buy in the LGPS. This limit has been inflation proofed every year since then. The current limit is shown on the online APC calculator. You can use the link below to calculate the cost of an APC:

<https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator>

If you pay tax, you get tax relief on all pension contributions up to 100% of your taxable earnings.

Freestanding additional voluntary contributions (FSAVCs)

These are similar to in-house AVCs but are not linked to the LGPS in any way.

With FSAVCs, you choose a provider, usually an insurance company. You may want to think about their different charges, alternative investments and past performance when you do this.

You choose how much to pay into a FSAVC arrangement. You can pay up to 100% of your UK taxable earnings, less your normal LGPS contributions.

How much income your FSAVC will provide depends on how long you pay AVCs for, the impact of charges and how well the fund(s) you invest in perform. Your AVC plan is an investment and the value can go down as well as up. You may not get back what you put in. You can choose which investment route you prefer.

You can usually take up to 25% of the value of your FSAVC fund as a tax-free lump sum.

You can also pay FSAVCs to provide additional life cover.

Your LGPS membership already gives you cover of three times your assumed pensionable pay if you die in service. Assumed pensionable pay is a notional pensionable pay figure used to make sure your pension is not affected if your pay is reduced during a period of sickness or injury, relevant child related leave or reserve forces service leave.

You can increase this amount using a FSAVC or use the FSAVC to provide additional dependants' benefits on your death.

This may be subject to satisfactory completion of a medical.

Personal or stakeholder pensions

You can make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGPS. With these arrangements you choose a provider. You need to think about their charges, alternative investments and past performance when you do this.

It is advisable to get financial advice before taking out any form of additional pension saving.

AVCs and extra life cover

You can also pay AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of three times your assumed pensionable pay if you die in service. You can pay AVCs to increase this and provide additional benefits for your dependants if you die in service. Any extra cover you buy will stop when you take your LGPS benefits or leave your job.

Tax and your pension

One of the benefits of saving with a registered pension scheme such as the LGPS, is that you receive tax relief on the contributions you pay into the scheme. HM Revenue & Customs limits the amount of tax relief you can receive.

Most people will be able to save as much as they wish as their pension savings will be less than the limit. However, if you are thinking of making additional pension savings, such as AVCs, it is important that you are aware of the limits.

Limits on how much you can pay

There is no overall limit on the amount of contributions you can pay, but tax relief will only be given on contributions up to 100% of your taxable earnings in a tax year.

A different limit may apply if you pay into a 'tax relief at source' arrangement, such as a personal pension or stakeholder pension scheme.

Limits on how much pension you can build up

The annual allowance is the amount that the value of your pension benefits may increase by in a year without you having to pay a tax charge. From April 2023, the standard annual allowance is £60,000.

If you are a high earner, your annual allowance could be lower due to 'tapering'.

For money purchase arrangements, such as AVC schemes, the annual allowance you use is the total contributions paid by you, or on your behalf, over the tax year.

For defined benefits arrangements, such as LGPS, the amount of annual allowance used is the growth in the value of your pension over the tax year.

If your LGPS pension savings in a year ending 5th April go over the standard annual allowance, your LGPS pension fund will let you know by 6th October.

You can find out the value of the increase in your pensions saving for each of the last three years by asking your pension fund for a pension savings statement.

For more information about the annual allowance, including information on 'tapering' for high earners and the implications if you have taken defined contribution benefits flexibly on or after 6th April 2015, see the [Tax page of the LGPS member website](#). You can find a link to a tool to check your annual allowance on that page.

You can also watch [Pensions Made Simple videos](#) about the annual allowance and other LGPS topics on the LGPS member website.

Appendix

Example 1: Taking all of your AVC as tax-free cash

When Jim retires, he has the same pension benefits as Gareth but he also has an in-house AVC pot of £27,000 which he wants to take as tax-free cash.

To see if it is possible to take all of the AVC as tax-free cash, the capital value of his benefits would need to be worked out to find out his maximum tax-free lump sum.

Step 1: Working out the capital value of LGPS benefits

$120 \times \text{annual pension} + 10 \times \text{automatic lump sum (if any)} + 10 \times \text{in-house AVC pot} \div 7 =$
capital value of LGPS benefits

- $120 \times \text{Jim's annual pension } \pounds 10,000 + 10 \times \text{Jim's lump sum } \pounds 24,000 + 10 \times \text{Jim's AVC pot } \pounds 27,000 \div 7 = \pounds 244,285.71$

The capital value of Jim's LGPS benefits including his in-house AVC pot is **£244,285.71**

Step 2: Working out the maximum tax-free lump sum

Capital value $\times 25\%$ = maximum tax-free lump sum

- $\pounds 244,285.71 \times 25\% = \pounds 61,071.42$

Jim's maximum lump sum that he can have is **£61,071.42**

Step 3: Turning annual pension into maximum tax-free lump sum

Maximum tax-free lump sum - automatic tax-free lump sum - in-house AVC pot $\div 12 =$
annual pension Jim can turn into maximum lump sum

- $\pounds 61,071.42 - \pounds 24,000 - \pounds 27,000 \div 12 = \pounds 839.28$ annual pension Jim can turn into lump sum

Annual pension - annual pension Jim can turn into lump sum = lower annual pension

- $\pounds 10,000 - \pounds 839.28 = \pounds 9,160.72$ lower annual pension

If Jim takes the maximum tax-free lump sum, his annual pension would be **£9,160.72**

Jim's retirement options with his in-house AVC pot would be:

Option 1: standard benefits

Annual pension:	£10,000
-----------------	---------

Tax-free lump sum (automatic lump sum of £24,000 + in-house AVC pot of £27,000)	£51,000*
--	----------

*Jim can choose to take the combined value of his automatic lump sum and in-house AVC pot as tax-free cash, as it is less than his maximum tax-free cash allowed of £61,071.42.

Option 2: maximum benefits

Annual pension: (standard annual pension of £10,000 - annual pension of £839.28 which has been turned into lump sum)	£9,160.72
---	-----------

Maximum tax-free lump sum (automatic lump sum of £24,000 + in-house AVC pot of £27,000 + lump sum of £10,071.42 created from annual pension)	£61,071.42**
---	--------------

**To take the maximum tax-free lump sum, Jim will need to lower his annual pension by £839.28 to give him the extra tax-free cash of £10,071.42.

Example 2: When your AVC is too much to take it all as tax-free cash

Sometimes the value of a member's in-house AVC pot may be too big to take it all as tax-free cash as it is more than their maximum tax-free lump sum allowed. If this happens, the amount of AVC that is allowed to be taken as tax-free cash can be included in the maximum tax-free lump sum. The rest of the AVC must be used to buy extra pension in the LGPS or to buy a pension, known as an annuity, with another pension provider.

Example:

When Susan retires, she has the same LGPS annual pension and automatic lump sum value as Jim but her in-house AVC pot is £43,000. Added together, her automatic lump sum of £24,000 and her AVC pot is (£43,000 + £24,000 = £67,000). You can see in the example below that she would not be able to take it all as tax-free cash as the maximum lump sum allowed is £66,785.72. This means there would be an excess of £214.28 (£67,000 - £66,785.72 = £214.28).

Step 1: Working out the capital value of LGPS benefits

$120 \times \text{annual pension} + 10 \times \text{automatic lump sum (if any)} + 10 \times \text{in-house AVC pot} \div 7 =$
capital value of LGPS benefits

- $120 \times \text{Susan's annual pension } £10,000 + 10 \times \text{Susan's lump sum } £24,000 + 10 \times$
 $\text{Susan's AVC pot } £43,000 \div 7 = £267,142.86$

The capital value of Susan's LGPS benefits and her in-house AVC pot is **£267,142.86**

Step 2: Working out the maximum tax-free lump sum

Capital value $\times 25\%$ = maximum tax-free lump sum

- $£267,142.86 \times 25\% = £66,785.72$

Susan's maximum lump sum that she can have is **£66,785.72**

Step 3: Turning annual pension into maximum tax-free lump sum

As Susan's in-house AVC pot (£43,000), when added to her automatic lump sum (£24,000) is £67,000 in total, she cannot turn any of her £10,000 annual pension into extra tax-free lump sum. This is because she has already gone over her maximum tax-free lump sum limit of £66,785.72.

Susan's retirement option after using the excess of her in-house AVC pot (£214.28) to buy extra LGPS pension would be:

Option:	
Annual pension: (standard annual pension of £10,000 + extra annual pension of £10.71 bought from the excess £214.28 in-house AVC)***	£10,010.71
Maximum tax-free lump sum (automatic lump sum of £24,000 + £42,785.72 of Susan's AVC pot that she can take to be within her maximum tax-free lump sum allowed)	£66,785.72
<p>***The excess of Susan's in-house AVC pot (£214.28) has been used to buy £10.71 extra annual pension, which is then added to her standard annual pension of £10,000.</p> <p>The extra annual pension has been worked out by using factors from the Government Actuary's Department. These factors are reviewed from time to time. The factors used is dependent on age and whether the member decides that the extra pension bought with the AVC is for their annual pension only or for their annual pension and any future survivor's pension payable.</p> <p>In this example, Susan has chosen to buy the extra pension for her annual pension only.</p>	

Disclaimer

This guide is for employees in England or Wales and reflects LGPS rules and overriding laws from April 2026.

The Government may make changes to overriding rules which means that there may be changes made to the LGPS in the future.

In the event of any dispute over your pension benefits the appropriate laws will prevail. This guide does not confer any contractual or statutory rights and is provided for information purposes only.

Contact Us

More detailed information about the LGPS is available from:

Phone: 01352 702950

Email: pensions@flintshire.gov.uk

Address: Clwyd Pension Fund, Tŷ Dewi Sant, St. Davids Park, Ewloe, Flintshire, CH5 3FF

Website: <https://clwydpensionfund.org.uk>



Cronfa Bensiynau
CLWYD
Pension Fund

clwydpensionfund.org.uk

Clwyd Pension Fund, Ty Dewi Sant, St. Davids Park, Ewloe, Flintshire, CH5 3FF

Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.