

Local Government Pension Scheme

Increasing your Pension Benefits

April 2025

Contents

Introduction	3
Additional Voluntary Contributions (AVCs)	3
Options when you retire from the LGPS.....	3
Additional Pension Contributions (APCs)	4
Other Options	5
Annual Allowance	5
Where can you find more information?	5
Disclaimer.....	6

Introduction

As a member of the Local Government Pension Scheme (LGPS), you are already paying contributions from your pay to build up a pension. However, there are two ways you can increase your pension benefits in the LGPS. One is known as additional voluntary contributions (AVCs) and the other is additional pension contributions (APCs).

Additional Voluntary Contributions (AVCs)

An AVC is a pot of money you can contribute to and build up to give you extra benefits alongside your LGPS benefits. The contributions are taken from your pay before your tax is taken out. So, if you are a 20% taxpayer and wish to put £100 into your AVC pot each month, you only need to pay £80, as the remaining £20 will come from your tax relief. You have your own AVC account and can choose how your pot of money is invested with our AVC provider: **The Prudential**.

An AVC is a flexible way to increase your pension benefits. You can pay up to 100% of your pensionable pay (less statutory deductions, such as national insurance and pension contributions) into your AVC plan. You can also increase or decrease the contributions that you wish to pay, as well as changing how the money in your AVC plan is invested.

If you want to set up an AVC, you can contact the Prudential by either going onto their website: www.pru.co.uk/localgov or phoning them on **0345 6000 343** to ask for a form to set up an AVC.

If you die in service, your AVC plan will be used as an additional death grant and paid out to your beneficiary/beneficiaries, in accordance with your Expression of Wish. If you have not made an expression of wish, the monies will be paid to your Estate. You can update your expression of wish through your **Member Self Service** account or you can complete an expression of wish form. The form can be found in the **forms and resources section** of our website or you can get in touch with us and ask for a form to be posted to you.

Your employer has the discretion to also pay towards your AVC. This is known as a shared cost AVC (SCAVC). You will need to check with your employer to see what their policy is and if they offer SCAVCs.

Options when you retire from the LGPS

- You can use your AVC plan to buy additional annual pension in the LGPS
- You can potentially take up to 100% of your AVC plan as tax-free cash if your AVC value does not take you over HM Revenue & Custom's limits

HM Revenue & Customs limits the amount of tax-free lump sum you can take when your pension is paid to you. This limit is called a lump sum allowance (LSA). Currently, the maximum lump sum is the lowest of:

- 25% of the capital value of your benefits
- £268,275*
- £268,275* less the total lump sums you have already taken

*If you hold a valid Lifetime Allowance protection, you may be able to take a lump sum that is larger than £268,275.

The lump sum will usually be tax-free, but if you go over the lump sum allowance, you will have to pay tax on the excess at your marginal rate.

If you have an AVC and this limit is exceeded, it means you can't take 100% of your AVC plan as tax-free cash. The remaining amount must be used to buy an additional amount of annual pension in the LGPS or elsewhere.

If the option is available, you may be able to use your AVC plan to buy an annuity from the in-house AVC provider or any other provider of your choice. An annuity is a fixed amount of money paid each year until a particular event, such as death.

Please read our factsheet on Taking a Tax-Free Cash Lump Sum when you Retire. You can find this in the **forms and resources section** of our website.

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>

You can choose to buy the extra pension by paying a one-off lump sum payment or by spreading the cost over a set number of complete years (a minimum of a year). These contributions can be taken from your pay in the same way as your pension contributions. They are also taken before your tax is worked out, so if you pay tax, you will automatically receive tax relief on your contributions.

If you pay by making a one-off lump sum, you can do so either by a deduction from your pay or by making a payment directly to your LGPS fund. If you pay direct to the fund, you will need to speak to HM Revenue & Customs to arrange for your tax relief to be recovered, as this will not be paid back to you by your LGPS fund.

Any additional pension bought will be added to your annual pension for the rest of your life. In the event of your death, no extra pension benefits will be payable to your survivors for the extra pension bought. The APCs only buy extra pension for you.

If you claim your pension before normal retirement age, early retirement reductions will be applied to your pension and the additional pension you bought through your APC.

The cost of the APC is based on your age and gender using factors provided by the Government Actuary's Department.

Your LGPS fund may ask you to have a medical examination by a Registered Medical Practitioner to get a certificate, at your own expense, to confirm that you are in 'reasonably good health' before you can start paying APCs.

Other Options

Other pension arrangements are also available, which are separate to your LGPS pension. These include contributing to a free standing AVC plan (FSAVC) or a personal pension plan / stakeholder pension plan.

With FSAVCs, you can usually take 25% of the AVC fund as tax-free cash and the rest as an annuity, so they do work differently to LGPS AVCs. Further information about these other options can be found at banks, building societies or insurance companies.

Annual Allowance

If you are thinking about increasing your LGPS pension by a large amount or if you are thinking of making large AVC payments each tax year, it may mean that you could exceed the annual allowance limit.

Your annual allowance is the amount the value of your pension benefits can grow in a tax year without you having to pay a tax charge. If the value of your pension savings from 6th April to 5th April is more than your annual allowance, the excess will be taxed as income. This annual allowance check includes pension savings outside of the LGPS.

The current standard annual allowance limit is £60,000 so it does not affect most pension scheme members.

You may wish to seek independent financial advice about this, as your LGPS fund is unable to provide any advice.

Where can you find more information?

This factsheet gives general guidance only. If you need more information, please contact the Clwyd Pension Fund:

Phone: 01352 702880

Email: pensions@flintshire.gov.uk

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

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

Disclaimer

The Clwyd Pension Fund is unable to provide any financial advice. After reading this factsheet, you may want to seek independent financial advice to make an informed decision.

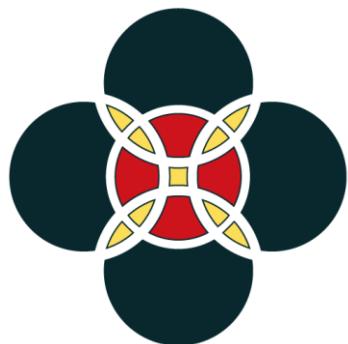
These bodies may be able to help you:

Unbiased:

<https://unbiased.co.uk>

MoneyHelper:

<https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser?source=mas>



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.