

Local Government Pension Scheme



THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND



Increasing your pension benefits



As a member of the Local Government Pension Scheme (LGPS), you already pay into an excellent final salary occupational pension scheme that provides very secure pension benefits for your retirement.

Despite the LGPS providing you with a whole range of excellent benefits you may feel that you would like a little more to enable you to enjoy a happy and comfortable retirement. You may therefore wish to consider paying extra pension contributions which is a very tax-efficient way of topping up your income in retirement.



There are a number of ways in which you can pay extra pension contributions:

- Additional Regular Contributions (ARCs) into the LGPS
- Additional Voluntary Contributions (AVCs) to an approved in-house provider
- Free-Standing Additional Voluntary Contributions (FSAVCs) to a provider of your choice
- Stakeholder Pension Plan
- Personal Pension Plan

Each of these options will be explored in this leaflet. First though, a word about 'added years'.

Added years

Before 1 April 2008, LGPS regulations permitted Scheme members to buy additional membership of the LGPS, commonly known as 'added years'. Since 1 April 2008, however, it has not been possible for Scheme members to elect to purchase added years.

If you were a member of the LGPS before 1 April 2008 and elected to buy added years, you may still be paying these additional contributions as all contracts entered into before the introduction of the 'new-look' LGPS on 1 April 2008 have been honoured. Added years provided additional LGPS benefits which were very secure and calculated in accordance with pension scheme regulations in force prior to 1 April 2008.

Additional Regular Contributions (ARCs)

ARCs were introduced to the LGPS on 1 April 2008 and replaced the previous option to buy added years.

You can choose to pay ARCs in order to purchase additional pension payable by the LGPS on top of your normal LGPS benefits. You can elect to purchase for yourself, or yourself and any survivor, additional pension up to a maximum of £5,000 in multiples of £250.

In order to pay ARCs you must apply in writing to the Pension Team and state the length of the period over which you wish to pay the additional contributions, ending before your normal retirement age (normally 65), known as the ARC payment period. There is a tear-off slip at the end of this guide. The Pension Team will provide you with a quote and a form to complete should you wish to proceed with the payment of ARCs.

The amount that you can pay will be determined in line with guidance issued by the Government Actuary who has authority to re-determine that amount from time to time.



You can stop paying ARCs before the end of your ARC payment period and must cease paying ARCs if you leave the LGPS. You will be credited with additional pension of an amount determined by the Government Actuary having regard to the ARCs you have already paid.

If you have to leave your employment due to permanent ill health or you die in service you will be treated as having paid your ARCs up to the end of your ARC payment period.

It is important to note that if you elect to purchase additional pension for yourself only, in the event of your death in service, no-one else will benefit from the additional contributions that you have paid. If, however, you elect to provide for survivors' benefits, your spouse, nominated cohabiting partner or civil partner will receive 37.5% of your additional pension, one eligible child will receive 18.75% of your additional pension (increasing to 25% if there is no partner's pension payable) and two or more eligible children will receive 37.5% of your additional pension (increasing to 50% if no partner's pension is payable).

Additional Voluntary Contributions (AVCs)

You can pay additional pension contributions to the in-house AVC scheme as run by the Prudential Assurance Company.

The maximum that you can pay into AVCs is 50% of your earnings and you choose how you would like your contributions to be invested. AVCs are invested separately from the main LGPS Fund and a number of investment opportunities are available to you. AVCs are deducted through payroll and you therefore receive tax relief automatically on the contributions you pay at your marginal rate. This means that your LGPS contributions and your AVCs are deducted from your gross pay before income tax is calculated. Deductions commence from the next available pay day following your election to pay AVCs and you can vary or cease payment at any time whilst you are contributing to the LGPS. If you leave local government employment and transfer your LGPS benefits to another scheme you can also normally transfer your AVC fund as well.

At retirement you will have a number of options available to you:

- Use your AVC fund to buy an annuity from an insurance company, bank or building society of your choice (although you can defer purchasing an annuity until a later date. However, we recommend you seek independent financial advice before making the decision to defer.
- Buy an additional amount of pension within the LGPS
- Use your AVC fund to increase your tax-free cash
- If you started paying AVCs before 13 November 2001 you can, in certain circumstances, even transfer your AVC fund into the LGPS to buy additional LGPS membership.

Some points to consider

- An annuity is an amount of additional pension benefit. You can choose the type of pension that best suits your needs e.g. a flat-rate pension for yourself or one that increases each year, or perhaps a pension that will include a pension for your spouse or partner in the event of your death.
- Annuities are subject to annuity rates that in turn are affected by interest rates.
- If you take your AVC fund as tax-free cash at the same time as drawing your LGPS benefits you may be able to take 100% of your AVC fund without incurring a tax charge, subject to HM Revenue & Customs limits. If you defer taking your AVCs until some time after your LGPS benefits have been brought into payment, you will only be able to take a maximum of 25% of your AVC fund as tax-free cash without incurring a tax charge.
- If you have previously contributed to a free-standing AVC plan you may be able to transfer the accumulated FSAVC fund into the LGPS but not into the in-house AVC arrangement.

Free-Standing Additional Voluntary Contributions (FSAVCs)

An FSAVC plan is similar to an AVC plan except that it is completely independent of the LGPS. You therefore choose your own provider and make your own arrangements to pay contributions to your FSAVC plan. Therefore, your contributions will not be deducted through payroll and you will not receive tax relief at source. Instead you will have to claim the tax relief from HM Revenue & Customs yourself.

You may also find that an FSAVC plan involves higher charges than an AVC plan, and an FSAVC plan does not offer the option of buying benefits within the LGPS at retirement.



Stakeholder or personal pension plan

You can make your own arrangements to pay contributions to a stakeholder pension scheme or a personal pension scheme at the same time as being a member of the LGPS. Any contributions you pay will receive tax relief up to 100% of your earnings.

These arrangements are similar to those offered under an AVC or FSAVC plan as you have your own account that builds up over time. These schemes are often known as money purchase schemes and therefore the benefits you receive at retirement are determined by how much you have contributed to the scheme, how well it has been invested over the years and what the market conditions are at the time you retire.

There are, of course, other ways to save for your retirement other than by paying more pension contributions e.g. National Savings, ISAs, Venture Capital Trusts etc. Please note that no-one employed by the Royal County of Berkshire Pension Fund can give you financial advice and you should always seek your own independent financial advice before making a final decision.

Request for further information

If you are interested in receiving further details about the payment of Additional Regular Contributions (ARCs) in order to increase your LGPS pension, please complete the section below and fax or post it to the Pension Team (details on back cover).

For further information about paying Additional Voluntary Contributions (AVCs), contact the Prudential on 0845 607 0077
www.pru.co.uk/localgovavc

Alternatively, please find enclosed a short Prudential guide to AVCs and free post application form.

For further information about all types of pension you can visit www.money.made.clear.fsa.gov.uk/pensions. This is a website maintained by the Financial Services Authority, the UK's financial watchdog, and uses impartial tables to compare similar financial products offered by different companies.

Request for further information in respect of paying Additional Regular Contributions (ARCs)

Surname: _____	Title: (Mr, Mrs, Ms, Other) _____
Forename(s): _____	
Partnership Status: (Married, Single, Civil Partner, Other) _____	
Date of Birth: _____	National Insurance No: _____
Home Address: _____	
_____	Post Code: _____
Employer: _____	Pay Ref: _____
Preferred Payment Period: _____	(Number of years over which you wish to contribute)
Signed: _____	Date: _____

More detailed information about the Scheme is available from the Pension Team:

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