

**LONDON BOROUGH OF HACKNEY
PENSION FUND**

**HOW TO INCREASE YOUR
FUTURE RETIREMENT
BENEFITS**



**A guide for members of the Local Government
Pension Scheme (LGPS)**

How to increase your future retirement benefits in the LGPS

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years you may wish to consider paying extra contributions. As a member of the LGPS you have access to 2 tax efficient ways of increasing your pension benefits in addition to the benefits you are already building up. These are:

1. Buying Extra Pension - Additional Pension Contributions (APCs)

If you are in the main section of the LGPS you can pay additional contributions to buy up to ¹£8,344 of extra pension. You can choose to pay for the extra pension by spreading the payment of the Additional Pension Contributions (APCs) over a number of complete years or by paying a lump sum.

If you wish to spread the payment, the regular contributions will be deducted from your pay, just like your normal pension contributions. Your normal contributions plus the APCs are deducted before your tax is worked out, so if you pay tax, you receive tax relief automatically through the payroll.

If you wish to buy extra pension by paying a one-off lump sum you can do so either via your pay or by making payment directly to your pension fund. If you choose to make payment directly to your pension fund, you will need to arrange tax relief directly with HMRC as the contributions are not being deducted from your pay. You can do this via your self-assessment tax return or by calling or writing to HMRC.

Tax relief is available on all pension contributions up to 100% of your taxable earnings.

The minimum period of time that you can spread the payment of APCs over is 12 months, and the maximum is the number of years to your normal pension age. Your normal pension age is linked to your State Pension age (but with a minimum of age 65). If you are a year or less from your normal pension age you can only pay by lump sum.

In the event of your death, no extra pension benefits will be payable to your dependants in respect of the lost pension bought (as the APCs buy extra pension for you only).

¹ £8,344 with effect from 01/04/2024

You cannot elect to buy extra pension if you are in the 50/50 section of the LGPS. If you have taken out an APC to buy extra pension in the LGPS you will not be able to continue with this if you move to the 50/50 section of the scheme. The contract will

cease and you will be credited with the amount of additional pension you have purchased up to the date the contract ended.

This does not apply to Shared Cost APCs (SCAPC) where you and your employer are paying contributions to buy pension that has been 'lost' during a period of authorised absence – see our factsheet on **Buying Lost Pension** (following a period of authorised absence).

In order to apply for an APC or to find out more, you must go to the national LGPS website: <https://www.lgpsmember.org/more/apc/index.php>. From here you can use the online calculator to work out how much extra pension you want to purchase and how much it will cost you each month, or by making a one-off lump sum. A screen-shot of the current modeller is shown below:-

The screenshot shows a web-based calculator interface divided into two main sections: 'Personal details' and 'Payment details'.

Personal details section:

- Gender:** A dropdown menu with 'Select...' and a downward arrow.
- Date of birth:** A text input field with the placeholder 'dd/mm/yyyy', a calendar icon, and a green question mark icon.
- Section of scheme:** A dropdown menu with 'Select...' and a downward arrow, accompanied by a green question mark icon.
- Percentage your employer has agreed to pay (%):** A text input field containing the number '0', with a green question mark icon.
- How do you want to pay?:** Two radio button options: 'Regular payment' and 'Lump sum payment'.

Payment details section:

- You chose:** A dropdown menu currently set to 'Regular payment' with a downward arrow.
- Instructions:** A text block stating: 'You can use this calculator in two ways – you either enter how much you want to pay or how much extra pension you want to buy.'
- Options:** Two radio button options: 'Choose how much I want to pay' and 'Choose how much extra pension I want to buy'.
- Amount (£):** A text input field with a green question mark icon.
- Pay frequency:** A dropdown menu with 'Select...' and a downward arrow, accompanied by a green question mark icon.
- Years (whole):** A text input field with a green question mark icon.

At the bottom of each section are 'Back' and 'Continue' (for Personal details) or 'Back' and 'Calculate' (for Payment details) buttons.

Once you have decided how much you wish to buy and are happy with the extra amount you will be paying in contributions, you must print the quote and application form from the website and send it to the pension administrators, Equiniti, who will contact your employer and the administering authority for the next steps.

It should be noted that if you enter into a contract to buy APCs via regular payments, the contributions you pay are subject to periodic review and may increase in the future. If this applies the pension fund administrator, Equiniti, will write to you to confirm the revised contributions payable, and the new contributions will apply from the April following the review.

2. Additional Voluntary Contributions (AVCs)

When you save AVCs you build up a pot of money which is then used to provide additional benefits to your LGPS benefits. All local government pension funds have an arrangement with an AVC provider (often an insurance company or building society) in which you can invest money. The money is deducted directly from your pay before your tax is worked out, so, if you pay tax you receive tax relief automatically. You have your own personal account and you decide how the money in your pot is to be invested.

You can elect to pay an AVC if you are in either the main or 50/50 section of the LGPS. You can pay up to 100% of your pensionable pay into an in-house AVC.

Your employer can also pay towards your AVC at their discretion. This is known as a Shared Cost AVC. You will need to check with your employer to see if they contribute to an AVC as well.

You can also pay AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of 3 times your assumed pensionable pay if you die in service, but you can pay AVCs to increase this and provide additional benefits for your dependants (if the facility your pension fund has set up includes it) if you die in service. Any extra cover you buy will stop when you retire or leave.

If you are interested in paying AVCs, you can contact Equiniti for further information, or you can contact our preferred provider direct, Prudential, who will be able to assist you:



Tel: 0800 032 6674 - Monday to Friday from 9am to 5pm, or go to their dedicated LGPS website: <https://www.pru.co.uk/rz/localgov/>

You may wish to get independent financial advice before taking out an AVC.

How to increase your future retirement benefits outside of the LGPS

- **Free Standing Additional Voluntary Contributions (FSAVCs)**

These are similar to in-house AVCs but are not linked to the LGPS in anyway. With FSAVCs, you choose the provider, usually an insurance company. You may want to consider the different charges, alternative investments and past performance when you do this.

- **Personal or Stakeholder pensions**

You may be able to 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, usually an insurance provider and again, you need to consider their charges, alternative investments and past performance when you do this.

You may wish to obtain independent financial advice before taking out any form of additional pension saving.

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 and Customs (HMRC) restricts 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 restrictions.

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 the main LGPS scheme, the amount of annual allowance is the growth in the value of your pension over the tax year.

If your LGPS pension savings in a year ending 5 April exceed the standard annual allowance, your LGPS pension fund will inform you by 6 October.

For more information about the annual allowance and the implications if you have taken defined contribution benefits flexibly on or after 6 April 2015, see the [Tax page of the Hackney Pension member website](#).

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

FURTHER INFORMATION

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