

Local Government Pension Scheme (LGPS)

Increasing your Benefits

As a member of the Local Government Pension Scheme (LGPS), you can choose to pay extra pension contributions to provide additional pension benefits when you retire. There are two main options within the LGPS detailed below, but this factsheet also gives you a brief overview of other options available.

LGPS Option 1 - Pay Additional Pension Contributions (APCs) to buy pension

You can buy up to £6,822 additional pension (for purchases beginning in the tax year 2018/19, the threshold will increase on the 1st April each year).

The additional pension you buy is credited to your pension account at the end of each scheme year (31st March). The additional pension will be increased together with your main scheme benefits and in line with inflation after retirement.

The additional pension purchased will be paid with your main scheme benefits when you retire. To buy this additional pension you can either pay an additional contribution from your pay or make a lump sum payment. The cost is calculated using factors based on your age, gender, the amount you wish to purchase and the length of time you wish to make your purchase over. Please note that you are not able to purchase an additional dependant's benefit.

Additional pension bought in this way gives you a predictable and guaranteed method of increasing your LGPS benefits. For further details on how much it costs please contact the Cheshire Pension Fund.

LGPS Option 2 - Pay Additional Voluntary Contributions (AVCs)

You can pay into an AVC plan to improve your benefits. The deduction will be made directly from your salary and you can pay up to 100% of your monthly pensionable pay into an AVC plan (though you MUST allow for main scheme contributions and National Insurance deductions). Your AVCs are invested separately from the LGPS main fund with one of our selected private providers. This account will build up over time through your contributions and investment returns, and when you retire you can choose to:

- use your AVC fund to buy an annuity (an amount of money paid each year until a particular event, such as death);
- buy an additional amount of pension in the LGPS; or
- take up to 100% of your fund as a tax free lump sum (as long as this is not greater than 25% of the total value of LGPS Pension benefits).

Cheshire Pension Fund's in-house AVC providers are Scottish Widows and Standard Life. If you would like more information on the funds offered by both companies please contact us for an AVC information pack.

If you choose this method of topping up your pension benefits, the AVC provider you invest in will send you an Annual Statement each year showing the current value of your fund.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

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Free-standing Additional Voluntary Contributions (FSAVC)

This method is very similar to an in-house AVC plan, but is completely independent of the LGPS. You would invest your contributions with a separate pension provider of your choosing and make your own arrangements to pay the contributions. Contributions cannot be deducted directly from your pay and you would have to claim the tax relief due from HM Revenue & Customs directly yourself.

FSAVC plans are likely to cost more than an in-house AVC plan and you cannot use your accumulated fund to buy pension benefits in the LGPS when you retire.

Stakeholder Pensions

As well as being a member of the LGPS you can make your own arrangements to pay contributions into a stakeholder pension, which is a type of personal pension plan. This type of arrangement is similar to an AVC plan in that you have your own account that builds up over time. It is a low-cost, flexible plan that meets certain standards set by the government, including a limit on the annual management charges. You can stop and restart payment whenever you wish.

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.

Personal Pensions

A personal or private pension plan is designed to provide a regular income in retirement. They are similar to stakeholder pensions, but there is no limit on the level of charges. Your money is invested by the provider on your behalf and your pension fund is designed to grow over time. Most building societies, banks and insurance companies run personal pension plans. The value of your fund can go down as well as up and it is always important to seek independent financial advice before investing your money.

Personal pensions are covered by the Financial Services Compensation Scheme (FSCS) which may pay compensation in the event an authorised financial provider cannot pay.

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