How Can I Increase my Pension Benefits?

Supporting yourself financially when you reach retirement age and leave work is an important aspect for your transition into retirement.

As part of your employment, you are provided with the entitlement to build up a pension within the Local Government Pension Scheme (LGPS); a public sector, government backed and guaranteed pension scheme.

There are options available to you if you'd like to increase the amount of pension and lump sum you stand to receive upon retirement. This factsheet will discuss these options, and provide information as to how these additional payments can be organised.

Additional Pension Contributions (APCs)

You may pay additional pension contributions (APCs) to boost your pension at retirement. The maximum amount of additional pension you can buy is £8,903 per year. This figure will increase each year in line with cost of living (based on the Consumer Prices Index).

for you, for now, for the future
lgps 2014

You can buy extra pension either by making regular payments directly from your salary, which will attract tax relief at source, or as a one off lump sum payment. Members who are within one year of, or who have exceeded their Normal Pension Age (NPA) may only opt to buy extra pension via means of a lump sum payment.

Your employer can choose to contribute towards the cost of the extra pension. In this case you must obtain written confirmation of the share that your employer is willing to pay. Please note that while this is possible, it is rare, and should not be relied upon while considering topping up your pension.

The LGPS has an online APC calculator where you can investigate the cost of buying your chosen amount of additional annual pension, and provides the different options for monthly payments and lump sum costs.

You can either select how much you could afford to spend, and the calculator will show how much additional pension you would receive, or you could select the amount of additional pension you require, and you will be provided with the cost for that amount. The online calculator allows you to experiment with different figures and contract lengths to see what is available to you. If you decide to proceed with the application to purchase additional pension, you can complete and print the application form and send it initially to your payroll/HR department to begin the application process.

The calculator can be found by clicking here if you are viewing this on a computer, or please type the following web address into your internet browser

www.lgpsmember.org/more/apc/extra

This option is not available if you are part of the 50/50 section of the Scheme.

Additional Voluntary Contributions (AVCs)

Retirement has more potential with PRUDENTIAL

The facility to pay into an AVC is provided to us by Prudential. You can contribute as much or as little as you like, up to 100% of your salary.

These contributions would be invested by Prudential, although you can choose the level of investment risk that suits you. For example, a higher risk investment may stand to earn you a greater yield at retirement, but there is also chance that the investment may not return a profit.

AVCs are deducted directly from pay and tax relief is automatically given through your payroll. This means that tax is worked out on your pay after pension and AVC contributions are deducted.

Contributions to AVCs qualify for tax relief. Subject to HMRC limits, each £100 you invest into your pension will only cost you £80 (as a basic rate taxpayer), as the remaining £20 that you would normally pay to the taxman will be paid into your pension as tax relief instead. This will be higher if you are a higher/additional rate tax payer

Upon your retirement, you may use your AVC fund for the following options:

- Provide a tax-free cash lump sum. At retirement you can take all or part of your AVC fund as a tax free cash lump sum, provided that when added to your standard LGPS lump sum, it does not exceed 25% of your overall pension benefits.
- Purchase an annuity from Prudential. An annuity is an additional pension that you purchase with the value of your fund. Prudential will provide you with a quotation of what your fund could purchase in terms of an annuity.
- Purchase additional LGPS pension. Similar to above, you could choose to use your AVC fund to purchase more pension to be paid alongside your standard pension built up with DCPF. This option will also provide you with an additional dependent's pension.

The appropriate scheme rules at the time of your retirement will be applied when deciding what options are available in your own personal circumstances. To find out more about AVCs, to see working examples and have access to the AVC calculator, click here or visit **www.pru.co.uk/lgnewsletter**

DISCLAIMER

This document is based on LGPS and Prudential Regulations as they stand in December 2016. The information contained in this factsheet cannot overrule any future changes to the LGPS or Prudential, and Dorset County Pension Fund will accept no responsibility for any direct or consequential loss, financial or otherwise, incurred by readers relying on the information contained herein.

Please contact us: Dorset County Pension Fund, County Hall, Dorchester, Dorset. DT1 1XJ

Telephone: 01305 224845 Website: www.dorsetpensionfund.org

Email: pensionshelpline@dorsetcouncil.gov.uk

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