

Understanding LGPS
Additional Pension
Contributions and
Additional Voluntary
Contributions: How it works
and Member Benefits

DISCUSSING LGPS extra
contributions and their
advantages

Discussion Points

- Additional Pension Contributions (APCs): How They Work
- Additional Voluntary Contributions (AVCs): Processes and Choices
- Comparing APCs and AVCs: Key Differences and Considerations
- Benefits to LGPS Members of Paying APCs and AVCs



Additional Pension Contributions (APCs): How They Work

What are APCs

What Are APCs

APCs are additional payments made to increase a member's pension entitlement.

Purpose of APCs

APCs cover contribution gaps or increase final pension benefits for members on retirement.



Step-by-step process for purchasing APCs

Submitting Application

Members start the APC purchase by completing an application and submitting it to the Pension Fund.

Deciding Top-up Amount

Members select the amount or period they wish to top-up for their Additional Pension Contributions.

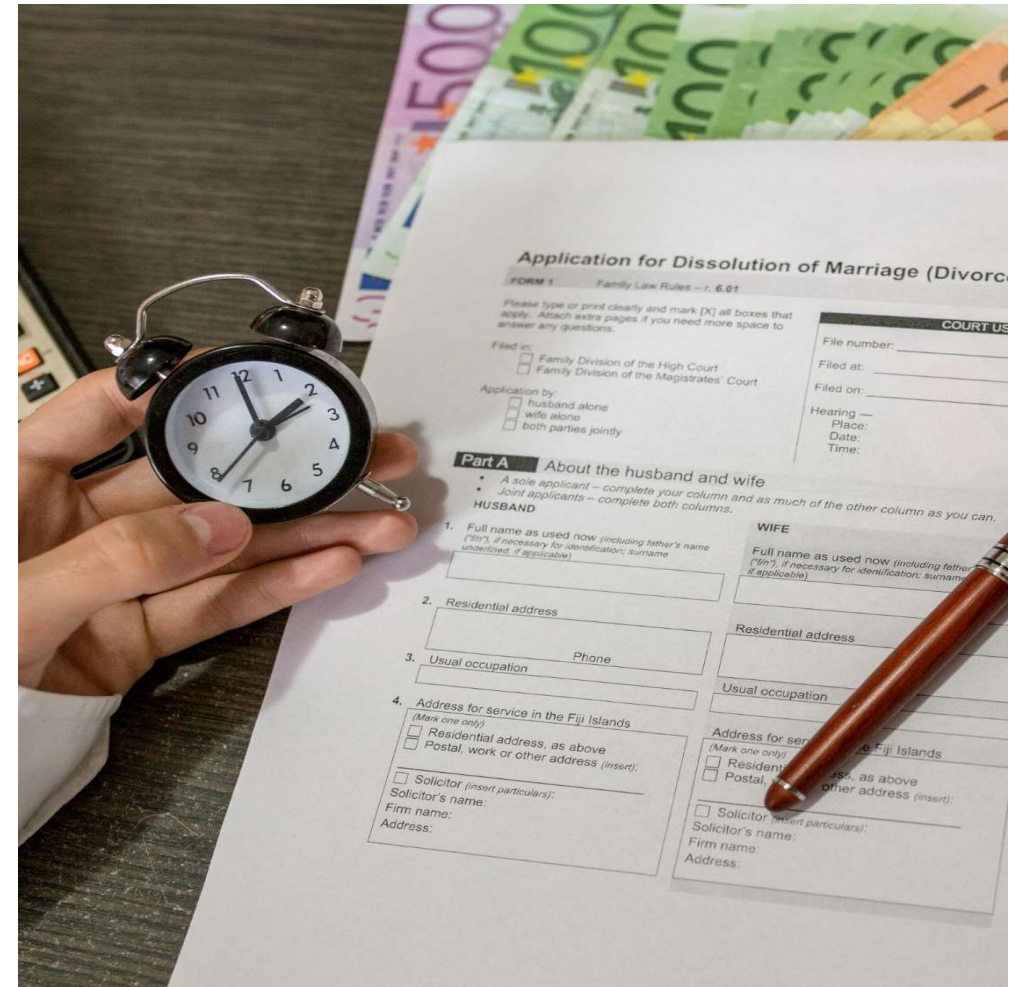
Completing Paperwork

Necessary paperwork must be accurately completed and submitted within the specified timeframes.

Online calculator

Works out cost and generates completed application form.

www.lgpsmember.org/help-and-support/tools-and-calculators/



Cost calculation and payment options

Factors Affecting APC Cost

APC costs vary based on individual age and salary, impacting the total payment amount.

Payment Methods

Payments can be made either as lump sums or through instalments, offering flexible options.

Role of LGPS Pension Fund

LGPS Pension Fund provide precise cost calculations to ensure accurate payment processing.



Additional Voluntary Contributions (AVCs): Process and Choices

What are AVCs and how are they set up

Definition of AVCs

AVCs are optional payments made by members on top of their LGPS contributions for additional benefits.

Setup Process

AVCs are arranged through in-house providers who manage the extra pension or lump sum benefits.

Tax Savings: Contribution is made via salary; you don't pay tax on it.

Investment Options: Your contributions go into a personal AVC account, you choose where to invest your savings.

Flexibility: You can contribute up to 100% of your pensionable pay into AVCs (subject to other deductions).



Shared Cost AVCs

- Shared Cost AVCs are a way for you to contribute to an AVC plan. They are typically offered through a salary sacrifice arrangement, which can make them more tax-efficient.
- **Key Features:**
- **Tax & NI Savings:** Because the contribution is made via salary sacrifice, you don't pay tax or National Insurance on it. Your employer also saves on their NI contributions.
- **Investment Options:** Your contributions go into a personal AVC account, which you can invest in funds offered by the AVC provider
- **Flexibility:** You can contribute up to 100% of your pensionable pay into AVCs (subject to other deductions).



Providers and investment choices available

In-house AVC Providers

The Pension Fund use Standard Life and Clerical Medical as in-house AVC providers, ensuring members have trusted options and well-known companies looking after their retirement savings.

Share Cost AVCs

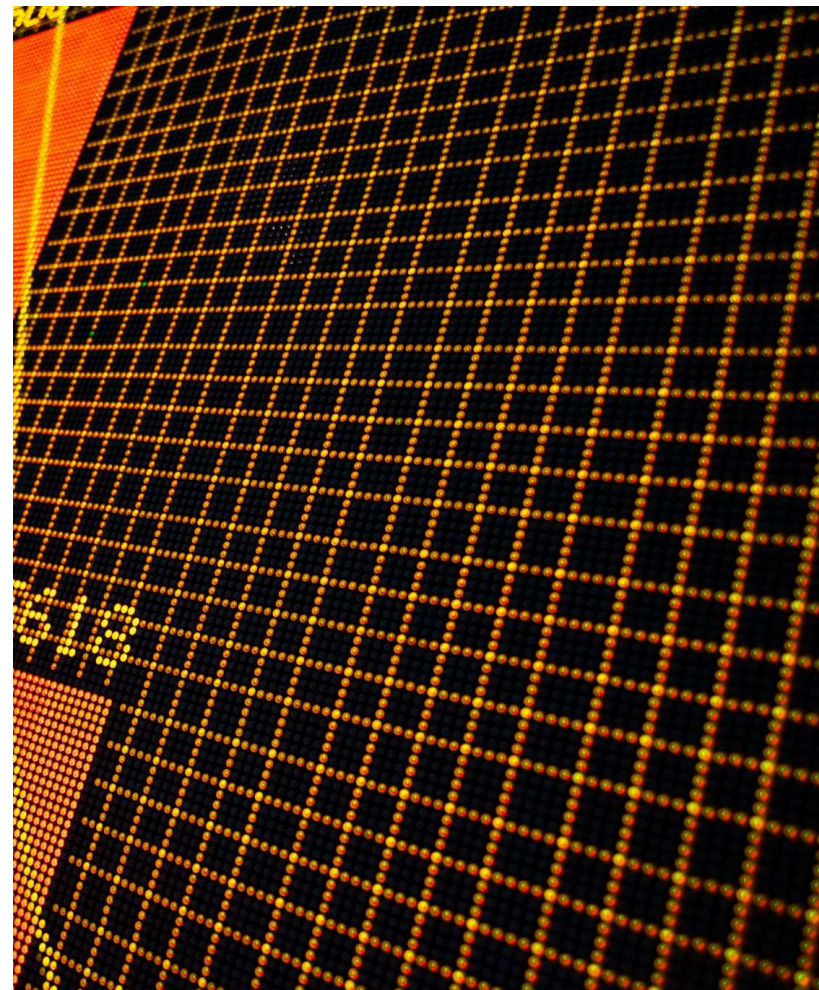
Applications made through MoneyMatters platform and both the above providers are available.

Investment Fund Options

Each provider offers different investment funds tailored to meet range of different financial goals and risk profiles.

Risk Profile Selection

Members can select investment funds based on their individual risk profiles to match with retirement goals.



Options for using AVCs at retirement

Buying Additional Pension

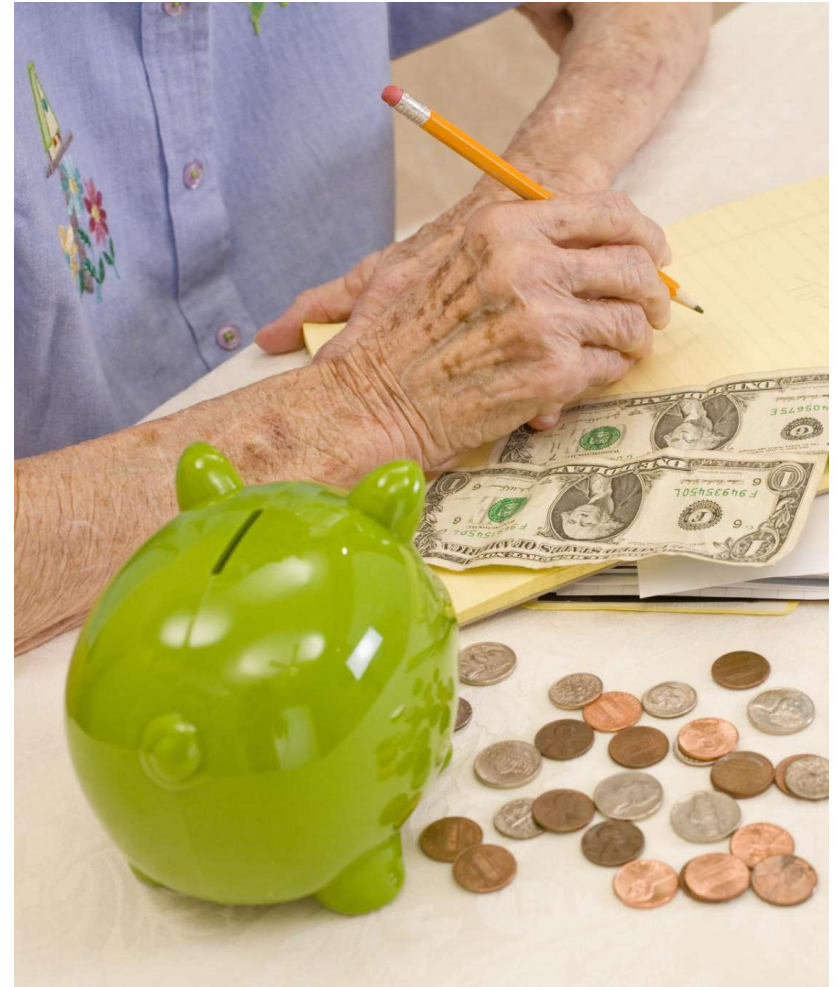
AVC savings can be used to buy extra pension benefits, increasing regular retirement income.

Taking Lump Sums

Members can take AVC savings as tax-free lump sum payments for flexibility and immediate access to funds.

Combination of Both

AVC savings can be split between lump sum and additional pension to suit your personal needs.



Benefits to LGPS Members of Making APCs and AVCs

Increasing retirement income

Additional Contributions

Making extra payments into pension funds helps increase the total retirement savings over time.

Larger Pension Pot

A bigger pension pot provides greater financial security for your retirement.



Flexibility and control over pension saving

Investment Choice

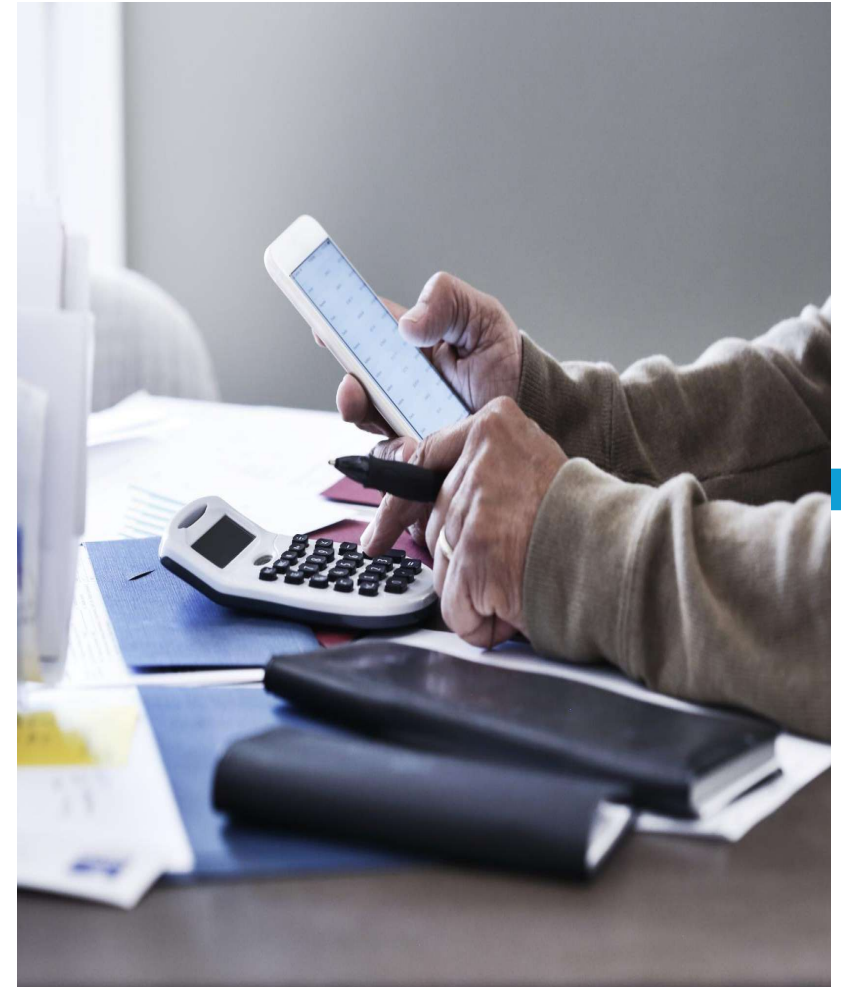
AVCs allow members to select from various investment options to suit their financial goals.

Access Flexibility

Members can decide how and when to access their pension savings for tailored retirement income.

Tax & NI Savings

AVC contributions taken before tax so you receive tax relief on the. Additionally, Shared Cost AVCs contributions are made through salary Sacrifice and taken before National Insurance as well. This also saves your employer on their NI contributions



Protection against gaps in service or reduced hours

APCs Overview

APCs allow members to recover lost pension rights caused by employment breaks or reduced working hours.

Maintaining Retirement Benefits

By buying back lost rights, members can maintain their expected pension benefits upon retirement.



Comparing APCs and AVCs: Key Differences and Considerations

Differences in purpose and structure

APCs Increase Pension Benefits

APCs buy extra guaranteed pension that directly increase LGPS pension benefits for members in their account.

AVCs as Separate Savings

AVCs are additional savings invested separately, offering members more direct control over investments.

Extra flexibility to use outside of the LGPS.



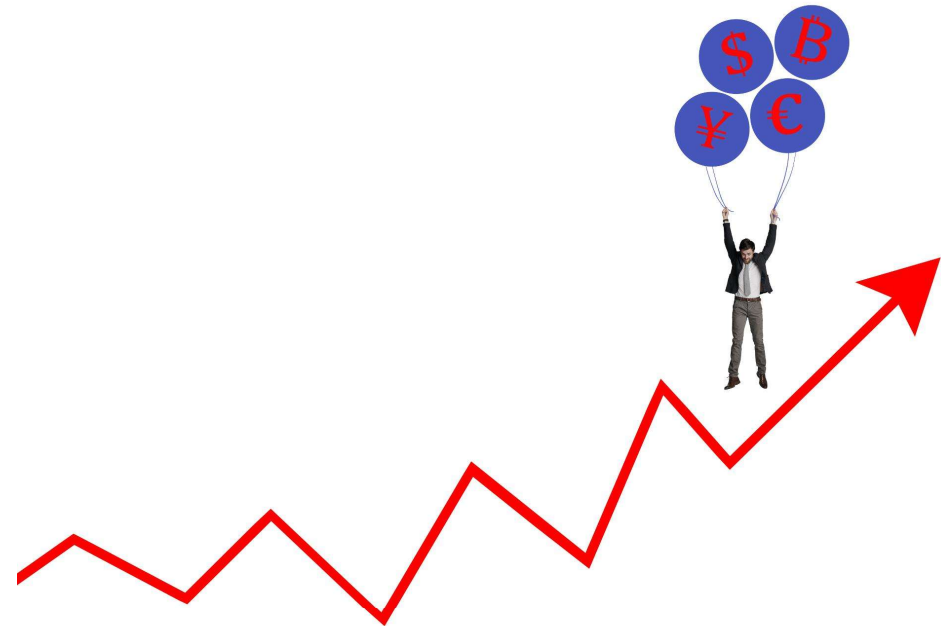
When to choose APCs versus AVCs

APCs for Guaranteed Pension

Additional Pension Contributions (APCs) help increase guaranteed LGPS pension benefits for members prioritising security.

AVCs for Flexibility

Additional Voluntary Contributions (AVCs) offer flexible investment options suited for members looking for varied retirement choices.



Tax advantages and financial planning

Tax Relief on Contributions

Both APCs and AVCs provide tax relief when contributions are made, reducing taxable income when saving.

Tax at Withdrawal

Tax treatment of APCs and AVCs differs at withdrawal, impacting net benefits and requiring careful consideration.

Importance of Financial Planning

Including APCs and AVCs into an overall financial plan is essential for maximising your retirement options and tax efficiency.



My Pension Online



Accessing Your Pension Online

- To manage your pension online, including viewing your benefits, updating details, you can use the **My Pension Online** portal.



Contact Details for Support

- If you need help with accessing your pension online account, you can contact our systems team by:
- **Phone:** 01495 766266
- **Email:** mypensiononline@torfaen.gov.uk
- **Website:** www.gwentpensionfund.co.uk

Conclusion

Increasing Retirement Benefits

APCs and AVCs offer LGPS members opportunities to increase their retirement income and personalise benefits.

Informed Decision Making

Understanding how APCs and AVCs work allows members to make secure and well-informed decisions about their retirement.