



Increasing Your benefits

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years it is worth considering paying extra contributions, which are a tax efficient way of topping up your income in retirement. Extra contributions can also be paid to increase the level of death benefits payable should you die in service.

HM Customs & Revenue (HMRC) rules allow you to pay up to 100% of your annual earnings with full tax relief to provide benefits within prescribed limits. As your normal LGPS contributions are between 5.5% and 7.5% this leaves a significant proportion of your taxable earnings that you can invest in additional contributions.

Members of the Local Government Pension Scheme (LGPS) have the following choices to consider when deciding how to increase their benefits via a pension arrangement:

- Additional Regular Contributions (ARCs)
- In-house Additional Voluntary Contributions (AVCs)
- Free-Standing Additional Voluntary Contributions (FSAVCs)

Additional Regular Contributions (ARCs)

LGPS members can elect to buy extra annual pension in multiples of £250 up to a maximum of £5,000 (in total for those with more than one employment). You have the choice of either providing just a pension for yourself or to provide one for yourself and ANY survivor on your death - spouse, civil partner, nominated cohabiting partner or child.

Purchase is by way of deductions from your pay and the additional contributions must be paid over a whole number of years and must cease before age 65. You may choose to pay over a shorter period if you wish. Contracts can commence at any time of year and you may have more than one contract.

As contracts are deemed to be paid in full if you are retired on grounds of ill-health or die in service, a medical certificate (available from the Fund) must first be completed by your G.P. stating that you are in 'reasonably good health'.

The cost of purchasing additional pension is based on your age, gender, the payment period and whether or not you choose to provide for dependants benefits.

For more details about buying additional pension and to receive a quotation, contact the Fund's Additional Benefits Advisor on 0151 242 1396.

In-house Additional Voluntary Contributions (AVCs)

All local government pension funds have an in-house AVC scheme where you can invest money, deducted directly from your pay, through an AVC provider. Merseyside Pension Fund has a choice of two providers: [Standard Life](#) or [Prudential](#).

AVC funds should grow as they are invested and will be available later in your life to convert into; an additional pension of your choice, a tax free lump sum or a combination of both. You decide how much you can afford to pay, up to a maximum of 50% of your annual earnings in each job where you pay into the LGPS. You can also vary the amount you invest as necessary. You can choose which investment route you prefer and on retirement, decide whether to buy an annuity (a pension) from an insurance company, or convert it into a top up LGPS pension (the latter option is not available to councillors in England and Wales).

On retirement you may be able to take all or part of your AVC fund as a tax free lump sum, subject to HMRC limits. Both AVC providers are able to provide additional information on their own products. You are encouraged to seek independent financial advice from a qualified adviser.

For more details about investing in an in-house AVC and to receive a quotation, contact the Fund's Additional Benefits Advisor on 0151 242 1396.

Free-standing Additional Voluntary Contributions (FSAVCs)

This arrangement is similar to an in-house AVC arrangement but it is not linked to the LGPS in any way. With FSAVCs, YOU choose a provider, usually an insurance company. You may wish to consider their different charges, alternative investment routes and past performance when doing this. Payments are usually made direct from your bank account and you can often choose which investment route you prefer.

The FSAVC provider will claim the basic tax relief from HM Revenue and Customs and credit it to the FSAVC contract. Higher rate tax payers would have to claim tax relief at the higher rate on their annual tax return. You can use your FSAVC fund to provide additional pension or you may be able to take up to 25% of your fund as a tax free lump sum. This may be considerably less than that available from an in-house AVC.

Additional Life Cover

You can also pay in-house AVCs and FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your pay if you die in service, but you can increase this or use it to provide additional benefits for your dependants in the event of your death in service. This may be subject to satisfactory completion of a medical questionnaire.