

Topping up my LGPS Pension



Introduction

As a member of the Local Government Pension Scheme (LGPS) in the Environment Agency Pension Fund (EAPF), you have the following choices to consider when deciding how you'd like to increase your pension benefits via your pension arrangement:

- Paying Additional Pension Contributions (APCs) through your payroll, or by one-off contributions outside your payroll, to buy extra LGPS pension.
- Paying Additional Voluntary Contributions (AVCs) through your payroll to buy extra lump sum or pension on retirement (whether through the LGPS or another provider).
- Paying contributions to a concurrent stakeholder or personal pension scheme through a private company.
- If you elected to buy extra years of scheme membership (added years) before 1 April 2008, you can continue to pay for them and receive extra benefits on the same basis that you originally agreed to buy them, but you cannot take out a new added years contract.
- If you elected to pay Additional Regular Contributions (ARCs) between 1 April 2008 and 31 March 2014, you can continue to pay for them and receive extra benefits on the same basis that you originally agreed to buy them, but you cannot take out a new ARC contract.

Are there any limits on how much I can contribute?

There is no overall limit on the amount of contributions you can pay. However, you can only receive tax relief on contributions up to 100% of your taxable earnings. In addition, there may be a tax charge if, in any year, the value of your pension savings exceed your annual allowance (Between £10,000 and £40,000 for 2018/19) and/or the money purchase annual allowance of £4,000.



There will also be a tax charge if, when you draw your benefits, the value of all your pension savings exceed the lifetime allowance (£1.03 million for 2018/19), unless you've applied for (and received) some forms of HMRC protections. More details can be found in our 'Tax controls on pension savings' factsheet, available on our website at www.eapf.org.uk/publications

Paying Additional Pension Contributions (APCs)

You're allowed to buy extra annual pension, and this year the amount of additional pension that can be purchased is £6,822 (2018/19). The maximum amount that you can buy is revalued in line with the Consumer Price Index (CPI) every year. You can choose to make a one off contribution or make monthly contributions deducted from your salary based on your age, repayment period and the amount you wish to buy. APCs deducted from your salary will receive tax relief automatically. One off contributions are also eligible for tax relief, though any contributions not deducted from your salary (for example, where you decide to pay a one off contribution by cheque) will only receive tax relief if claimed directly from HMRC.

When you retire, any extra pension you've bought will be paid in addition to the benefits you built up. In addition, the extra pension will increase in line with the cost of living (CPI), both before and after your benefits are put into payment.

You can only buy extra pension if you're contributing into the Main Section of the pension scheme; if you're in the 50:50 Section, you can only pay APCs to buy back any pension 'lost' as a result of being on authorised unpaid leave.

Paying Additional Voluntary Contributions (AVCs)

To ensure you have a range of options for supplementing your pension, the EAPF has two AVC providers, Prudential and Standard Life (though some existing members paying AVCs may have their AVC arrangements with Clerical Medical and/or Equitable Life). Both Prudential and Standard Life have extensive experience as AVC providers for the LGPS.

The range of funds that you can choose to invest in are shown in the 'Investing my AVC' section below. If you took out an AVC contract before 1 April 2014, up to 50% of your pensionable pay can be paid into your AVC. For new contracts from 1 April 2014, up to 100% of your pensionable pay can be paid into your AVC.

AVCs are deducted directly from your pay and tax relief is automatically given through the payroll. This means that tax is calculated on your pay after your pension and AVC contributions have been deducted. These contributions will build up in your AVC fund and be invested in the funds that you've chosen.

Investing my AVC

When deciding which fund to invest your AVCs in, you may wish to consider a number of things including:

- Your attitude to risk
- When you plan to retire, and how far away you are from that point

The following is a brief generic explanation of each fund type. More detailed information about the above funds is available from Prudential and Standard Life:

Fund types	Standard Life	Prudential
Cash funds	Standard Life Deposit & Treasury Pension (Active)	Prudential Deposit (Active)
Balanced funds	Standard Life Pension Managed (Active)	Prudential With-profits (Active)
Ethical funds	Standard Life Pension Ethical (Active)	Prudential Socially Responsible (Active)
UK equity funds	Standard Life UK Equity Select (Active)	Prudential UK Equity (Passive)
Global equity funds	Standard Life Global Equity Tracker 50:50 (Passive) Standard Life Global Equity Select (Active)	Prudential Long Term Growth 50:50 (Passive)

(Passive = passively managed fund; Active = actively managed fund)

Cash funds	Cash funds aim to provide returns broadly equivalent to short term deposit rates. In order to achieve this objective, the funds in this sector can adopt differing investment approaches, some investing in a range of bank deposits alone whilst others invest in a wide range of short term money market instruments as well as deposits. The value of any investment in some types of cash fund can fall, whereas others will guarantee that this will not be the case.
Balanced funds	Balanced funds invest in a range of asset classes, e.g. equities (UK and overseas), property, bonds and cash. They often invest a high proportion of the fund in equities.
Ethical funds	Ethical funds invest (primarily) in UK equities. The funds may also invest in other assets. The choice of investments held in the funds is governed by an ethical policy.
UK Equity funds	UK Equity funds invest in a range of UK quoted companies.
Global equity funds	Global Equity funds invest in a range of equities from around the world. They also typically have a bias to UK equities (often around 50%).

Passive/active funds	<p>Passively managed funds aim to provide a return very close to the benchmark market index. Depending on the type of fund, they invest in most stocks in the market index (e.g. FTSE All Share) in proportion to the stock's weighting in the index. Performance of passively managed funds tends to be very close to the market index they track.</p> <p>Actively managed funds are managed in a way to try and outperform the market index. They tend to have higher annual management charges than passively managed funds. There is a risk that they will underperform the market index. For some types of fund (e.g. cash, property) passively managed funds are not available.</p>
-----------------------------	---

Please note that the value of the assets held in most of these funds can go down as well as up. This means that the fund price, and any investment you make into these funds, can fall and rise in line with the value of the underlying assets. The with-profits fund includes a guarantee that the value of your investment will not fall, but, in certain circumstances, you may be charged a fee, called a Market Value Reduction (MVR) if you switch or transfer your money out of the with-profits fund. You'll be told if an MVR applies to any transaction you wish to make.

It's important to note that past performance is not necessarily a guide to future performance. More information is available from Prudential and Standard Life to help you decide which fund(s) to invest in. Their contact details are provided on page 5 of this factsheet.

What are the investment charges for these AVCs?

There may be annual charges or expenses deducted from your AVC fund. The current annual charges are summarised in this table. They're reviewed from time to time so the charges shown may change in the future.

	Fund	Annual charge as % of your AVC fund
Standard Life	Standard Life Deposit & Treasury Pension	0.625%
	Standard Life Pension Managed	0.625%
	Standard Life Pension Ethical	0.625%
	Standard Life Global Equity Tracker 50:50	0.625%
	Standard Life Global Equity Select	0.975%
	Standard Life UK Equity Select	1.025%
Prudential	Prudential Deposit	Charges are already incorporated in returns (which match Bank of England base rate so no additional charge is deducted).
	Prudential With-profits	The Bonus Rates applicable to this Fund are declared after charges have been deducted so the full bonus rate declared will be applied to your investment.
	Prudential Socially Responsible	0.75%
	Prudential Long Term Growth 50:50	0.65%
	Prudential UK Equity	0.65%

The annual management charge is allowed for in the value of your investments on a daily basis. The level of annual management charge is not guaranteed and may change in the future; the charge typically will not change frequently. In addition, within the funds, there are often further expenses in relation to the safe custody and accounting for the assets; these charges are relatively small (circa 0-0.1% per annum) and are deducted directly from the fund's assets.

The charges for these AVC arrangements are likely to be different, generally lower, than if you invested directly with Prudential or Standard Life using these or similar funds. This is because special arrangements have been agreed between the EAPF and Prudential/Standard Life. We cannot, however, guarantee that charges will always be lower.

Are there any other charges I need to be aware of?

Depending on when you started a new AVC plan with Prudential, an 'exit' charge may apply; if the first contribution to your plan was paid:

- **After 18 March 2017** – no exit charge is applied to your AVC fund
- **Before 19 March 2017** – if you decide to withdraw any funds:
 - **Within the first 3 years of your plan starting** - an exit charge of 1% is applied to your AVC fund
 - **More than 3 years after your plan started** - no exit charge is applied to your AVC fund

The main situations where an exit charge will apply are:

- Transfers to an alternative pension arrangement outside of LGPS, including an alternative AVC
- Retirements at any date with the exception of where benefits are being taken on the grounds of ill health;
- Where you take a short service refund from your scheme and AVC and the value of your AVC fund (after charges) is greater than the value of the savings paid in

The exit charge will be applied after any Market Value Reduction has been applied to any disinvestment from the With-Profits Fund. Please see Prudential's '[Key features](#)' document for more details. Charges may vary in the future and may be higher than they are now.

An exit charge will not apply on death, retirement on the grounds of ill health, pension sharing on divorce or when switching between investment funds. For more information on the 'exit' charge, please contact Prudential using the details below.

Please note that an 'exit' charge does not apply to the Standard Life funds.

How do I start, amend or stop paying AVC payments?

If you want to:

- **Start, amend or stop paying AVCs to Prudential** - please contact them on 0345 600 0343, or go to www.pru.co.uk/rz/localgov/england-wales In addition, you can view details of your AVC account online (login details can be obtained by calling 0345 600 0343).
- **Start or amend AVC with Standard Life** – to start an AVC, please contact them on 0345 279 8831. New starters can also email Standard Life at newentrant_quotes@standardlife.com. To amend your AVC, please contact your payroll department. In addition, you can view details of your AVC account online, and you can register for this by going to www.employeezone.co.uk, quoting the Scheme number(H93026) and your membership number (shown on your joining certificate or your latest annual statement).
- **Transfer an existing LGPS AVCs to Prudential or Standard Life** - please contact Capita on 0800 121 6593 and ask for the Environment Agency Pension Fund team. If you have non-LGPS AVCs, Capita will also be able to tell you about your options.
- **Amend an existing AVC with Clerical Medical and/or Equitable Life** - please contact Capita on 0800 121 6593 and ask for the Environment Agency Pension Fund team. Please note that, if you don't already pay AVCs to Clerical Medical and/or Equitable Life, you can't start a new AVC with them.

- **Stop paying AVCs to Standard Life, Clerical Medical and/or Equitable Life** - please contact your appropriate payroll department:
 - Environment Agency Payroll – ea_pension_mailbox@sscl.gse.gov.uk
Shared Services Connected Ltd, TA211 Tyneview Park, Newcastle upon Tyne, NE98 1BA
 - Natural Resources Wales Payroll – payrollteambangor@naturalresourceswales.gov.uk
Natural Resources Wales, Payroll Team, Maes y Ffynnon, Penrhosgarnedd, Bangor, Gwynedd, LL57 2DW

Using your AVCs at retirement

At retirement the fund that you've built up can be used to:

- **Purchase an annuity from your AVC provider, or from another insurance company, building society or bank:**

An annuity is an amount of additional pension that you can choose in exchange for the AVC fund that you've built up; the amount of additional pension (and the method in which it is revalued whilst in payment) will depend on the type of annuity you've chosen, which is generally linked to current interest rates.

- **Purchase a top-up pension from LGPS:**

If you draw an immediate pension benefit from the LGPS you'll be able to use the accumulated AVC to buy a top up pension and this will provide an inflation proofed pension for you and your dependants

- **Provide a tax free cash sum:**

At retirement, you can take all or part of the AVC fund that you've built up as a tax free lump sum (providing it falls within HMRC limits)

HMRC will allow Individuals to take tax free cash provided that, when added to the LGPS lump sum, it does not exceed the lower of:

- 25% of the overall value of your LGPS benefits being brought into payment (including your AVC fund); or
- 25% of your remaining lifetime allowance

If you've stopped paying into your AVC fund, you also have the option to transfer it into a flexible benefit arrangement in order to receive a:

- **Uncrystallised Funds Pension Lump Sum (UFPLS):**

This can be paid as a lump sum, where 25% of the payment is tax- free and the balance is taxed at your marginal rate of tax.

- **Flexi-access drawdown (FAD):**

You can choose to take up to 25% of the payment as a tax free lump sum. You then move the rest into one or more funds that allow you to take a taxable income at times to suit you.



Please note that, if you choose to take a UFPLS, or access your benefits through FAD, any future contributions you make to an AVC or money purchase arrangement will be subject to the money purchase annual allowance (£4,000).

Paying contributions through a private company

You can make your own arrangements to pay contributions to a Stakeholder (SHP) or Personal Pension Plan (PPP) at the same time as being a member of the LGPS. Just like your LGPS pension, you'll receive tax relief of up to 100% of your earnings on any contributions that you pay into a SHP or a PPP.

However, there may be a tax charge if, in any year, the value of your pension savings has increased in excess of your annual allowance (Between £10,000 and £40,000 for 2018/19) and/or the money purchase annual allowance (£4,000).

Financial advice

The EAPF, Capita and your employers are unable to give you financial advice. If you're unsure of the best way to top up your pension, you should contact an independent financial adviser. Further details can be found at www.unbiased.co.uk or by calling 0800 085 3250.

How can I find out more?

If you would like some general information about topping up your pension then please contact Capita using the details below.

Capita looks after the day to day administration of the EAPF and will be your main point of contact for any questions you have about your benefits.

Contact details

Capita look after the day to day administration the Scheme and will be your main point of contact for any questions you have about your benefits. You can contact them by:

-  Using the '**contact us**' button on the website at www.eapf.org.uk
-  Emailing info@eapf.org.uk
-  Calling **0800 1216593**
-  Sending your query to: **Capita,
11b Lingfield Point, Darlington
DL1 1AX**