

Increasing your benefits

David Williams (EAPF) & Martyn Slaughter (Capita)



Today's session

What we'll be covering:

- Ways to save
 - How much you can pay
 - Boosting your pension options
 - Additional contributions on ill health or death
 - Summary
 - Next stages
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Important notice

- The content of this presentation is based on Capita's understanding of pensions and tax law as of 1 October 2018. Capita & the EAPF will not be held liable for any errors or omissions contained within this presentation
 - This presentation is intended to highlight the benefits of paying additional contributions under the Local Government Pension Scheme (LGPS); this may not necessarily be the best option for you and there are many different financial vehicles available outside the LGPS that may be more suitable to your desired needs
 - This presentation should **not** be taken as financial advice. **We would strongly recommend that, before making any important financial decisions, you take independent financial advice from an authorised, independent financial adviser (IFA).**
 - An IFA can be found in your local area by visiting www.unbiased.co.uk
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Save for your future

2 ways to save extra in the LGPS

- **Additional Pension Contributions (APCs)**
 - Defined benefit (DB)
 - Fixed amount of pension bought
 - Revalued each year in line with inflation
- **Additional Voluntary Contributions (AVCs)**
 - Defined contribution (DC)
 - Based on fund value
 - 'In-house' AVC can be used in conjunction with LGPS benefits



How much you can pay

There's no limit on what you can pay.

Tax relief only given on pension contributions in a tax year up to the **higher of**:

- £3,600
- 100% of taxable pay

LGPS Rules

- Members can pay up to 100%* of their gross pensionable pay towards an APC and/or AVC
- Pensions savings are subject to both the 'annual allowance' & 'lifetime allowance'

*less deductions

Annual allowance

- A limit on how much a person's pension savings can 'grow' during a tax year before being subject to a tax charge
 - Annual allowance = £40,000
 - May be less if subject to the 'tapered annual allowance'
 - Pension savings in excess of the annual allowance may result in a tax charge
 - Excess can be reduced or extinguished by any unused allowance from the previous 3 tax years
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Lifetime allowance

- The Lifetime Allowance (LTA) is the amount you can save in your lifetime, free of tax
 - Current LTA (2018/19) = £1,030,000
 - $(20 \times \text{pension paid}) + \text{lump sum paid} = \text{capital value}$, tested against LTA
 - LTA test carried out when you retire
 - LTA tested in some other cases, too
 - LTA test = % of remaining LTA used up
 - Once LTA used up, any excess is subject to tax charge
 - Can exchange pension for extra lump sum to reduce your tax liability
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Lifetime allowance

Example

Carol's pension benefits at retirement (after reductions):

Pension = £10,000

Automatic lump sum = £15,000

Capital value = £215,000

Up to 25% of the above (£53,750) can be taken as a tax free lump sum, subject to the Scheme's rules and commutation factor.

Maximum lump sum = £48,214



Tax relief & your 'take home' pay

- Tax is applied to your pay
 - Different % apply to different pay bands
 - Pay crossing different bandings = different % of tax applied across your pay

Pay bandings (monthly)*	2018/19 Tax rates
£0 - £988	0%
>£988 - £3,863	20%
>£3,863 - £12,500	40%
>£12,500	45%

*Tax is **normally** calculated on your total taxable pay in the year and not a monthly amount

- Pension contributions subject to **tax relief**
 - Pension contributions are taken from your pre-tax pay, **then**
 - **Remaining pay** is taxed accordingly = smaller tax bill
 - Remember that the 'annual allowance' applies
- Due to tax relief, reduction in 'take home' pay is **less** than the pension contribution paid

Tax relief & your 'take home' pay

Example

- Iqbal earns £60,000 pa (£5,000 pm)
- Normal cont. rate for Iqbal = 8.5%

Not contributing

Monthly pay	Deductions
£5,000	£1,030 (tax)
	£402 (NI)
Take home pay = £3,568	

Main Section (no AVCs)

Monthly pay	Deductions
£5,000	£425 (LGPS)
	£860 (tax)
	£402 (NI)
Take home pay = £3,313 (-£255)	

Main Section + 5% AVC

Monthly pay	Deductions
£5,000	£425(LGPS)
	£250 (AVC)
	£760 (tax)
	£402 (NI)
Take home pay = £3,163 (-£405)	

APCs

- Choose to buy a fixed amount of LGPS pension
 - Amount of pension bought is added to your existing LGPS pension
 - Can choose to buy any amount up to £6,822 extra (2018/19)
 - Can be paid in regular instalments (payroll) or as a one-off lump sum
 - Regular instalments can be made up to 1 year before SPA
 - One-off lump sum can be through your payroll or from your personal savings
 - If taken from payroll, tax relief given automatically
 - Cost of APCs linked to
 - Age
 - Gender
 - Length of period over which APCs are to be paid
 - APC calculator - www.lgpsmember.org/more/apc/index.php
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Cost of paying APCs

Example

Liz is interested in buying £500 of extra LGPS pension through an APC.

- Female, age 43
- SPA = 67

Cost to buy £500 extra LGPS pension:

- Over **23 years** = **£28.22 per month (total = £7,789)**
- Over **15 years** = **£35.82 per month (total = £6,448)**
- Over **10 years** = **£47.88 per month (total = £5,746)**
- One-off **lump sum** = **£4,730**



Cost of paying APCs

Example

Roderick is interested in buying £1,000 of extra LGPS pension through an APC.

- Male, age 57
- SPA = 67

Cost to buy £1,000 extra LGPS pension:

- Over **8 years** = £157.50 per month (total = £15,120)
- Over **5 years** = £232.56 per month (total = £13,954)
- Over **3 years** = £365.94 per month (total = £13,174)
- One-off **lump sum** = £12,447



'Lost' pension & buying it back

- Breaks in pension will occur if you :
 - Are on 'additional' child-related leave and receiving no pay
 - Take a period of authorised unpaid leave
 - Take a period of unauthorised unpaid leave
 - Go on strike
 - Any 'lost' pension can bought back through APCs
 - Up to the amount of pension 'lost' during the absence
 - Counts towards total APC limit
 - Your employer will pay 2/3rd of the cost if:
 - Absence is authorised or for child-related leave, and
 - You apply within 30 days of returning to work
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AVCs

- Defined contribution arrangement
 - Value of 'pot' = contributions paid + investment returns, less charges
 - Investment options provided (including default option)
 - Life assurance only policies also available
- Can pay a % or a fixed amount into an in-house AVC fund
 - Prudential & Standard Life
- Use your AVC fund at retirement to:
 - Increase your tax free lump sum*
 - 100% of AVC can be paid if taken at the same time as main scheme benefits*
 - Buy extra LGPS pension
 - Buy an annuity with the AVC provider or another provider
 - Transfer to another provider

AVC options – extra lump sum

Example 1

Catherine's pension benefits at retirement:

Pension = £10,000
Automatic lump sum = £15,000

Catherine also has an in-house **AVC fund of £20,000**

Maximum lump sum = £55,357 (+£40,357)

Residual pension = £8,303 (-£1,697)



AVC options – extra pension & lump sum

Example 2

Catherine's pension benefits at retirement (after reductions):

Pension = £10,000
Automatic lump sum = £15,000

Catherine also has an in-house **AVC fund of £55,000**

Maximum lump sum = £67,500 (+£52,500)

£2,500 of the AVC fund remains; this can be used to buy £123 extra LGPS pension* or an annuity with the AVC provider or another provider

Residual pension = £10,123 (+£123)

*based on a female member, age 60

AVC options – extra pension only

Example 3

Catherine's pension benefits at retirement (after reductions):

Pension = £10,000
Automatic lump sum = £15,000

Catherine also has an in-house **AVC fund of £55,000**; this can be used to buy £2,712 extra LGPS pension* or an annuity with the AVC provider or another provider

Increased pension = £12,712 (+£2,712)

*based on a female member, age 60

Protection for your family

Death benefits resulting from any additional contributions you pay differs depending on the scenario.

APCs (Contributing members)	<ul style="list-style-type: none"> No impact on death grant or survivors' benefits payable No protection for your family here
APCs (Non-contributing & Pensioner members)	<ul style="list-style-type: none"> Included in the calculation of the death grant (5 x pension) Not included in any survivors' pensions payable
AVCs (Contributing members)	<ul style="list-style-type: none"> AVC fund or AVC life assurance policy paid to a beneficiary at EAPF's discretion Not included in any survivors' pensions payable
AVCs (Non-contributing & Pensioner members)	<ul style="list-style-type: none"> AVC fund paid to a beneficiary at EAPF's discretion 30.625% of any LGPS pension bought from AVCs included in partner's pension Smaller % included any eligible children's pensions payable

Summarising additional contributions

	AVC	APC (extra)	APC (lost)
What you'll get	Value of contributions paid & investments	Guaranteed pension	Guaranteed pension
What are the good points?	<ul style="list-style-type: none"> • Flexible contributions • Different ways of using it (inc. 100% tax free cash) 	<ul style="list-style-type: none"> • Additional pension • Inflation proof • Ill health cover 	<ul style="list-style-type: none"> • ER contributes 2/3rds • Additional pension • Inflation proofed • Ill health cover
What are the bad points?	<ul style="list-style-type: none"> • Few guarantees 	<ul style="list-style-type: none"> • Can be expensive • Once started, not flexible • Reduced if taken early 	<ul style="list-style-type: none"> • Once started, not flexible • Reduced if taken early
Limits on what you can you buy/pay?	100% gross pay	£6,822 extra pension	Amount of lost pension (falls within £6,822 limit)

What next?

AVCs

Get in touch with one or both of the EAPF's AVC providers

- Standard Life at newentrant_quotes@standardlife.com
- Prudential at www.pru.co.uk/localgov

APCS

- APC calculator at www.lgpsmember.org/more/apc/index.php
- Absences - Your payroll team can tell you how much pay you're 'missing'

AVCs & APCs can start from as early as your next payroll period!

Resources to find out more

- Visit www.eapf.org.uk to check out our helpful tools and [videos](#)
- [Publications](#) available online:
 - Explanatory guides & presentations
 - [85 year rule click tool](#)
 - Scheme guides & factsheets

Contact details

If you have any questions regarding your pension entitlement you can contact our pension administrator, Capita, by:

- Using the **'Contact the EAPF'** button on the website at www.eapf.org.uk
- Emailing info@eapf.org.uk
- Following on twitter [@EAPensionFund](https://twitter.com/EAPensionFund)
- Calling **0800 121 6593**
- Sending your query to
Capita
11b Lingfield Point
Darlington, DL1 1AX

The screenshot displays the Environment Agency Pension Fund website interface. At the top, there are navigation tabs for 'Member', 'Investment', 'About the Fund', and 'Trustee'. Below these is a banner for 'Boost your pension by paying additional contributions' featuring a family photo. A 'News feed' section lists recent articles such as 'Pensions Age Case Study features the EAPF' and 'Your annual pension statement 2018'. A 'Publications' section is highlighted, showing a list of documents including 'Scheme Guide for members', 'A brief guide to the Local Government Pension Scheme (LGPS)', and 'A guide for members who joined from 2014'. A 'Sign up' button is visible in the bottom right corner of the publications section.

Thank you

Regulatory Statement

- The information contained within this presentation does not constitute financial advice.
- The information provided is based on Capita's understanding of current law and LGPS Regulations, as at 1 October 2018.
- HMRC policy, practice, and legislation may change in the future.

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