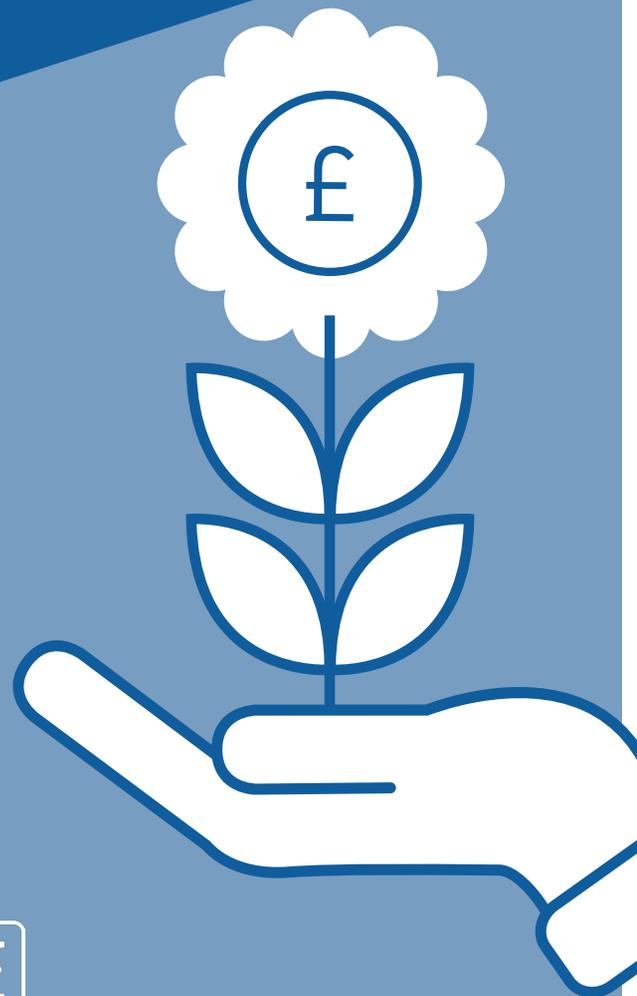


The Local Government Pension Scheme (LGPS) FAQ and Fact Document – AVC Wise

All information in this document is accurate at the time of writing in December 2019. AVC Wise will endeavour to keep this updated as and when developments to the LGPS are made public.



AVC WISE

Why should I join the LGPS?

There are several reasons you should consider joining the LGPS if you're eligible to do so and haven't already.

Unlike most pension schemes, your returns from the LGPS aren't affected by the performance of investments or the stock market. Instead, your return is calculated from your salary levels throughout your service at an LGPS organisation.

You can find out more about the breakdowns and how this is calculated further down in this document.

The contribution made by your employer is also higher than most pension schemes meaning this makes the LGPS much more valuable for you.

Can I decide to leave the LGPS once I've joined? What if I change jobs?

You can opt out of making contributions into the LGPS after joining – however if this is after 3 months of contributions, you will not be eligible for a refund on those contributions.

Your existing LGPS contributions remain - you will become a deferred or frozen pensioner and your pension will attract a cost of living increase each year until you reach your retirement age.

If you started a new pension with a new LGPS employer, you would have the option to transfer your LGPS pension into your new arrangement.

What is my normal pension age?

This is the higher of 65 or your State Pension Age. However, another benefit of the LGPS is that you can retire early and access your pension income from age 55.

However, doing so will dramatically reduce the value of your pension income as you're taking it earlier.

How much does my employer pay in?

This will be determined by the scheme actuary at the triennial valuation and can vary from employer to employer. The average employer contribution to the LGPS is around 19%.

How much do I pay in?

You can find a table of the relevant contributions below:
[England and Wales](#)

The rate of contributions you will pay is based on how much you are paid. When you join, and every April afterwards, your employer will determine your contribution rate. If you have more than one job your contribution rate will be determined separately for each job.

If your pay changes throughout the year, your employer may decide to review your contribution rate at that time, rather than wait until the following April.

Here are the pay bands and contribution rates that apply from April 2019.

If your actual pension pay is:	You pay a contribution rate:
Up to £14,400	5.5%
£14,401 to £22,500	5.8%
£22,501 to £36,500	6.5%
£36,501 to £46,200	6.8%
£46,201 to £64,600	8.5%
£64,601 to £91,500	9.9%
£91,500 to £91,501	10.5%
£107,701 to £161,500	11.4%
£161,501 or more	12.5%

The contribution rates and / or pay bands will be reviewed periodically and may change in the future.

This is to maintain the average contribution from employees at 6.5% and to ensure the long term costs of the scheme are managed.

If you decide to join the scheme you should check your payslip to make sure that pension contributions are being deducted.

Your contributions are very secure. As the LGPS is set up by Statute, payment of benefits to scheme members is guaranteed by law.



Scotland

Your contributions are based on your actual pensionable pay at 1 April each year. This means that if you work part-time you will pay contributions on the pay you actually receive not the full-time equivalent pay for your post.

Your employer will decide your contribution rate and if your pay changes throughout the year, your employer may decide to review your contribution rate.

Please contact your employer if you have any questions on your contribution rate. There are two sections in the scheme – the main section and the 50/50 section. The main section of the Scheme is the section you will be placed in.

In that section, you pay normal contributions and your pension builds up in the normal way.

If your actual pension pay is:	You pay a contribution rate:
Up to £21,800	5.5%
£21,801 to £26,700	7.25%
£26,701 to £36,600	8.25%
£36,601 to £48,800	9.5%
£48,801 or more	12%

Northern Ireland

Your contribution rate depends on how much you are paid but it will be between 5.5% and 10.5% of your pensionable pay.

The table below shows the contribution rates from April 2019 to March 2020 if you are in the main section of the Scheme.

If you work part-time, it is your actual part-time pay that decides the pay band you fall into. The pay bands will increase each April in line with inflation.

If your actual pension pay is:	You pay a contribution rate:
Up to £14,800	5.5%
£14,801 to £22,600	5.8%
£22,601 to £37,700	6.5%
£37,701 to £45,700	6.8%
£45,701 - £90,400 or more	8.5%
£90,400 or more	10.5%

What are my withdrawal options for my Shared Cost AVC?

Your money is currently accessible from age 55. You can decide to cash the whole amount at once, take a regular income, or take out chunks of cash when required.

An option available to you is to transfer your Shared Cost AVC pot independently of your main Local Government Pension Scheme (LGPS) benefits, even if you are still paying into the main LGPS. This is particularly attractive for members who are considering early retirement, and which to use their AVC pot as a source of income, whilst waiting to take benefits from their main LGPS.

Please note to do this you must:

(i) Have stopped paying into any AVCs or Shared Cost AVCs you hold in any LGPS employment

(ii) Not be in receipt of regular income from an annuity, or a top up pension in the LGPS in respect of an LGPS AVC/Shared Cost AVC plan that you have paid into and withdrawn previously

(iii) If you hold more than one LGPS AVC/Shared Cost AVC plan you must transfer out all of your plans even if the plans are held with different LGPS funds (other than an AVC plan awarded to you as part of a divorce settlement)

Drawdown

Once you have transferred your AVC plan into a separate private pension, one way you can access your money is via something called “drawdown”. There are different types of drawdown.

The most recent is “flexi-access drawdown”.

This allows you to take an unlimited amount of income or lump sums from a pension fund. This will replace “flexible” and “capped drawdown”, although existing “capped drawdown” plans will continue. In a drawdown plan your money continues to be invested but you can access money as and when you need it.

As it remains invested, usually with some exposure to stock markets, there is a risk your fund could fall in value.

However, the advantage is that potential investment growth could provide higher returns and you could see your pot increase in value.

If you choose a drawdown withdrawal, you can take up to 25% of your pot tax free. You will need to pay Income Tax at your usual rate on the remainder.

Annuity

An alternative is an annuity. This means using your Shared Cost AVC pot to buy a guaranteed income for the rest of your life.

Whilst rates may be at historic lows at the time of writing, they may still be the right option for you if you don't like the level of investment risk posed with the drawdown option.

Please note that the income from an annuity is potentially taxable at your normal rate.

Lump-sum withdrawals (sometimes called Uncrystallised Funds Pension Lump Sum)

Yet another alternative is to take money out of your pension pot without moving into a drawdown plan. This is when you have not moved your pension pot into another product, and you can take your entire pension pot in one go, or a series of smaller lump sums as and when on demand.

However, the tax treatment is slightly different for this option. The first 25% of any withdrawal will be Income Tax free, with the remaining 75% subject to Income Tax.

Take up to 100% of your AVC plan as tax free cash

If you take your AVC at the same time you take your main scheme benefits you can take up to 100% of your AVC plan as tax free cash (as long as your total lump sums from the LGPS do not exceed 25% of the combined value of your benefits including your AVC plan, or 25% of the lifetime allowance (£257,500 for the year 2018/19), or 25% of your remaining lifetime allowance if you have previously taken payment of any pension benefits).

**IF YOU HAVE ANY UNANSWERED QUESTIONS,
YOU CAN FIND OUT MORE AT:**

WWW.LGPSMEMBER.ORG

