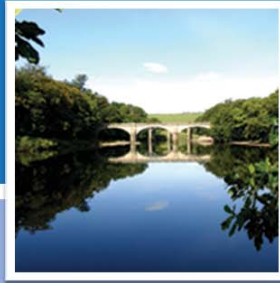


Factsheet 1



Topping up Your Pension



LANCASHIRE PENSIONS SERVICES

Lancashire Pensions Services

THE BEST FOR LANCASHIRE AND BEYOND

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Topping up your Pension

As a member of the Local Government Pension Scheme (LGPS), you have the option to pay extra pension contributions to provide for additional pension benefits when you retire. This factsheet explains the different options that are available.

Option 1 – Buying additional pension

You can buy additional pension in units of £250 to provide up to a maximum of £5,000 additional pension a year. The extra pension amount you purchase is increased to keep pace with inflation and is paid alongside your main scheme benefits. To buy this extra pension you must have additional regular contributions deducted from your pay for a specific length of time. The overall cost is determined by your age, sex, the amount of additional pension you want to purchase, whether you want to provide for dependants' benefits, and the length of the time you want to pay contributions over. Factsheet 9 explains this in a lot more detail. This extra pension gives you a predictable, guaranteed way to increase your LGPS benefits.

Option 2 – Additional voluntary contribution (AVC) plan

You can pay up to 50% of your pensionable pay into an AVC plan. If you pay into this type of arrangement, your AVCs will be invested separately from the scheme's main fund. You will have your own account that will build up over time. When you retire you can choose to:

- use your AVC fund to buy an annuity (a fixed amount of money paid each year until a particular event, such as a death);
- buy an additional amount of pension within the LGPS; or
- increase your tax-free lump sum.

Our in-house AVC provider is The Prudential Assurance Company.

Option 3 – Free-standing additional voluntary contribution (FSAVC) plan

This is similar to the AVC plan, but is independent of the LGPS. You invest your contributions with a pension provider of your choice. A FSAVC plan may involve higher charges than an AVC plan and does not offer the option of using your fund to buy benefits within the LGPS when you retire.

Option 4 – Stakeholder pension plan

You can make your own arrangements to pay contributions to a stakeholder pension scheme at the same time as being a member of the LGPS. Any contributions you do pay will receive tax relief up to 100% of your earnings. This type of arrangement is similar to the AVC plan, in that you have your own account that builds up over time. It is a low-cost, flexible plan that meets certain standards set by the government. For example, your total charges for each year are set at a maximum of 1.5% of your fund.

Option 5 – Personal pension plan

A personal pension plan is similar to a stakeholder plan. However, there is no limit on the level of charges.

Please note that in all the above options, it is up to you to pay any extra pension contributions. Your employer does not pay any extra amounts for you.

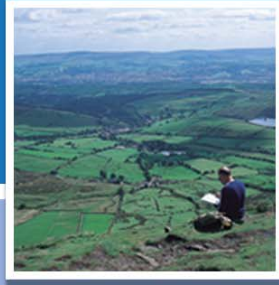
How to choose an option

There are several important differences between these options – mainly to do with the amount you can pay in and the benefits you can receive. The following table summarises these differences to help you decide which option is most suitable for you.

To buy a **FSAVC, stakeholder** or **personal pension plan**, you will need to speak to a bank, building society or insurance company. You will then pay your premiums for the plan by direct debit from your own bank account.



	Buying Additional Pension	AVCs	Stakeholder Pension
Extra retirement pension?	Yes	Yes	Yes
Provides extra lump sum?	At retirement you may exchange some of your pension to give you lump sum, within certain limits.	You may choose to take your AVC as a lump sum (which may be your entire AVC fund). There are limits to the amount you can receive and it also depends on when your benefits are paid.	Yes, up to 25% of total fund.
Provides dependants' benefits?	Yes, provided you elect and pay an increased contribution.	Only if you use your AVC to buy additional pension in the LGPS; or If you select an annuity that provides this.	Depends on annuity purchased at retirement.
Earliest date can draw benefits	Same time as LGPS benefits.	Same time as LGPS benefits.	Age 50 (rising to 55 in 2010).
Tax relief on contributions?	Yes	Yes	Yes
Restrictions	You can only buy pension in units of £250, up to a maximum of £5,000 additional pension.	You cannot pay more than 50% of your Pensionable pay for each employment.	You cannot pay more than the greater of either 100% of your taxable earnings; or £3,600 pa.
Extra pension is index linked?	Yes. The amount you are buying is fully indexed linked and will continue to be increased once in payment.	Yes, if you use your AVCs to buy additional pension in the LGPS. Maybe, if you use your AVCs to buy an annuity.	Depends on annuity purchased at retirement.
Guarantees of extra benefits from additional contributions?	Yes, you will receive a specific amount of pension if the contract is completed.	No, depends on investment return.	No, depends on investment return.
Flexibility to increase or reduce payments, or to stop paying?	If you stop making contributions before the end of the contract you will only receive part of the additional pension you elected to buy. There is flexibility to increase payments by taking out further contracts subject to the £5,000 maximum amount.	Yes	Yes
Retirement on health grounds	The pension you buy will be credited to you in full.	Can be used to buy an annuity or increase LGPS pension which you can draw immediately There is also the option to take it as a lump sum.	You can use the fund to buy an annuity.
Retirement	Period being bought is apportioned.	Can be used to buy an annuity or increase LGPS pension which you can draw immediately. There is also the option to take it as a lump sum.	You can use the fund to buy an annuity.
Leave employment without receiving benefits immediately	Period being bought is apportioned.	AVC fund is deferred until you retire.	Age 50 (rising to 55 in 2010).



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Please note that Lancashire Pensions Services are not registered to give financial advice. Once you have considered the following information, you may need to get independent financial advice before making a decision.

Please note that nothing in this factsheet can override the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, The Local Government Pension Scheme (Administration) Regulations 2008 or the Local Government (Transitional Protections) Regulations 2008 (as amended).