CONTRIBUTION FLEXIBILITY

IN THIS LEAFLET WE EXPLAIN HOW YOU HAVE

- THE OPTION TO PAY LESS CONTRIBUTIONS IN RETURN FOR LESS PENSION, AND
- THE OPTION TO PAY EXTRA CONTRIBUTIONS TO INCREASE YOUR PENSION BENEFITS.

Where pension terms are used, they appear in ***bold italic*** type. These terms are defined towards the end of this leaflet.

Flexibility to pay less

When you are a member of the LGPS there may be times when you are in difficult financial circumstances and consider opting out of the scheme to save money.

The LGPS offers you the flexibility to stay in the scheme at such times and continue to build up valuable pension benefits. You can elect to pay half your normal contributions and build up half your normal pension. This is known as the 50/50 section of the LGPS.

In the LGPS there are two sections of the scheme, the main section and the 50/50 section. When you join the scheme, you will automatically be placed in the main section where you pay normal pension contributions in return for normal pension build up.

Once you are a member of the scheme you will be able to elect in writing to move to the 50/50 section if you wish. Once you make an election you will start paying half your normal contributions from your next available pay period.

Contribution bandings 2019/20				
If your actual pensionable pay is:			**You pay a contribution rate of :**	
			Main section	**50/50 scheme**
Up to		£ 14,400	5.5%	2.75%
£ 14,401	to	£ 22,500	5.8%	2.90%
£ 22,501	to	£ 36,500	6.5%	3.25%
£ 36,501	to	£ 46,200	6.8%	3.40%
£ 46,201	to	£ 64,600	8.5%	4.25%
£ 64,601	to	£ 91,500	9.9%	4.95%
£ 91,501	to	£ 107,700	10.5%	5.25%

£ 107,701	to	£ 161,500	11.4%	5.70%
£ 161,501		Or more	12.50%	6.25%

Who can elect for 50/50?

As a member of the LGPS you can elect to pay into the 50/50 section at any time. An election to join this section must be made in writing to your employer. There is no limit to the number of times you can elect to move between the main and the 50/50 section, and vice versa. Your election once received by your employer takes effect from your next available pay period.

What does my election for 50/50 need to include?

You need to make a written election to your employer to move to the 50/50 section of the LGPS. This can be in the form of a letter or a completed 50/50 election form. A 50/50 election form is available from your employer. Oxfordshire Pension Fund provide template forms for employers to use, and you can find the form too on the website www.oxfordshire.gov.uk/pensions If you have more than one job in which you contribute to the scheme you must specify in which of the jobs you wish to be moved to the 50/50 section.

When you make an election for the 50/50 section your employer must provide you with information on the effect this will have on your benefits in the scheme.

What happens to life cover and ill health cover if I am in the 50/50 section?

In the 50/50 section you build up half your normal pension because you are paying half your normal contributions. However, if you were to die in service the lump sum death grant and any survivor pensions would be worked out as if you were in the main section of the scheme.

If you are awarded a Tier 1 or Tier 2 ill-health pension whilst in the 50/50 section, the amount of any ill-health enhancement added to your pension is worked out as if you were in the main section of the scheme.

How long can I remain in the 50/50 section?

The 50/50 section is designed to be a short-term option for when times are tough financially. Because of this your employer is required to re-enrol you back into the main section of the scheme approximately three years after they have reached their staging date for automatic enrolment purposes under the Pensions Act 2008 (and approximately every three years thereafter). Your employer will tell you when this is if you’re in the 50/50 section of the scheme. If you wish to continue in the 50/50 section at that point you would need to make another election in writing to remain in that section of the scheme.

If you are in the 50/50 section and move onto a period of no pay due to sickness or injury then you will be moved back into the main section of the scheme from your next pay period if you are still not in receipt of pay at that time.

If you are in the 50/50 section you can choose to revert back to the main section of the scheme at any time by informing your employer in writing. This can be in the form of a letter or a completed election form to re-join the main section. An election form to re-join the main section is available

from your employer. If you have more than one job in which you contribute to the 50/50 section you must specify in which of the jobs you wish to be moved back to the main section. You will then start to build up full benefits in the main section from the next available pay period after your employer receives your election.

What does my employer pay if I'm in the 50/50 section?

Your employer continues to pay their normal contribution rate (not half their rate) when you are in the 50/50 section of the scheme.

What if I'm currently paying extra contributions or might wish to do so in the future - is this possible when in the 50/50 section?

As the 50/50 section is considered a short-term option for use in times of financial difficulty it's not expected that you will remain in the section for a long period of time. The rules of the scheme do not permit you to pay additional contributions in certain circumstances when you are in the 50/50 section. The effect on additional contribution options are detailed below:

Type of Contract	Effect of being in the 50/50 section
• Additional Pension Contribution (APC) Contract (full cost to you to buy extra pension) • Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy extra pension)	Existing Contracts - Must Cease
• Additional Voluntary Contributions (AVC) • Shared Cost Additional Voluntary Contributions (SCAVC) • Additional Pension Contribution (APC) Contract (full cost to you to buy lost pension because of a trade dispute or unpaid authorised leave of absence) • Shared Cost Additional Pension Contribution (SCAPC) Contract (cost shared between you and your employer to buy lost pension due to unpaid authorised leave of absence or unpaid additional maternity, paternity or adoption leave)	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option)
• Additional Pension Contribution (APC) Contract (full cost to you to buy extra pension) • Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy extra pension)	New Contracts - Not Permitted
• Additional Voluntary Contributions (AVC) • Shared Cost Additional Voluntary Contributions (SCAVC)	New Contracts - Permitted

Type of Contract	Effect of being in the 50/50 section
• Additional Pension Contribution (APC) Contract (full cost to you to buy lost pension because of a trade dispute or unpaid authorised leave of absence) • Shared Cost Additional Pension Contribution Contract (SCAPC) (cost shared between you and your employer to buy lost pension due to unpaid authorised leave of absence or unpaid additional maternity, paternity or adoption leave)	
• Added years contract	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option) Note that these contracts only apply to scheme members who took out such contracts before 1 April 2008.
• Additional Regular Contributions (ARC) contract • Additional Survivor Benefit Contributions (ASBC) contract	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option) Note that these contracts only apply to scheme members who took out such contracts before 1 April 2014.
• Part-time buy-back contract	Existing Contracts - Can Continue (at the same rate as before you elected for the 50/50 option).
• Part-time buy-back contract	New Contracts - Permitted

Forms to opt into the 50/50 section and back to the main section of the scheme are available from your employer and from www.oxfordshire.gov.uk/pensionforms

Flexibility to pay more

Most of us look forward to a happy and comfortable retirement and to have that little bit extra during your retirement years you may wish to consider paying extra contributions, which are a tax efficient way of topping up your income when you retire.

You can take steps to provide extra benefits by paying:

- Additional Pension Contributions (APCs) to buy **extra** LGPS pension (but not if you are in the 50/50 section)
- ***Additional Voluntary Contributions (AVCs)*** arranged through the LGPS (in-house AVCs) Oxfordshire Pension Fund have arrangements with the Prudential to provide this
- Free Standing ***Additional Voluntary Contributions*** (FSAVCs) to a scheme of your choice
- Contributions into a stakeholder or personal pension plan

You can combine any of these options.

Are there any limits on how much I can pay to increase my pension benefits?

There is no overall limit on the amount of contributions you can pay (although there is a limit on the extra scheme pension you can buy). However, tax relief will only be given on contributions up to 100% of your UK taxable earnings (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme).

Additionally, under HM Revenue and Customs tax rules there are controls on the pension savings you can have before you become subject to a tax charge – most people will not be affected by these controls. These controls, and the potential effect of paying extra contributions if you have lifetime allowance enhanced protection, fixed protection, or fixed protection 2014 or fixed protection 2016 are explained in more detail under the heading **Do the tax rules on pension savings limit the extra I can pay?**

The options explained:

Paying Additional Pension Contributions (APCs) to buy extra LGPS pension

If you are in the main section of the scheme you can pay more in contributions to buy up to £7,026 **extra** pension, or to purchase pension lost during certain periods of leave of absence on no pay or periods on no pay due to a trade dispute. This section explains the facility to purchase **extra** pension – see the leaflet LEAVE OF ABSENCE AND THE LGPS for information on purchasing **lost** pension.

Any **extra** pension you purchase is payable each year in retirement and is payable on top of your normal LGPS benefits. You can pay for this **extra** pension either regularly from your pay or via a lump sum. Where your employer also chooses to contribute to the APC arrangement, this is known as Shared Cost Additional Pension Contribution (SCAPC) arrangement. If you are in the 50/50 section of the scheme you cannot commence an APC or SCAPC to buy **extra** pension. If you have an existing APC or SCAPC contract to buy **extra** pension and elect for the 50/50 section, the contract must cease.

- **Paying Regular Contributions**

  You can choose to buy **extra** pension by spreading payment of the Additional Pension Contributions (APCs) over an agreed number of complete years (unless **Pension Services** determines that it would not be practicable to allow APCs to be paid by regular

contributions, in which case payment could be made by a lump sum). Any extra regular contributions would be taken from your pay, just like your basic contributions. Your LGPS contributions and APCs are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

The minimum period you can spread payment of APCs over is 12 months and the maximum period is the number of years to your ***Normal Pension Age***. The latest you can take out such an APC contract is 1 year before your ***Normal Pension Age***.

At the end of every ***scheme year*** the proportion of extra pension that you have paid for in that year is added to your ***pension account***.

You can choose to stop paying APCs at any time by notifying **Pension Services** in writing. You will be credited with the extra pension that you have paid for at the time of ceasing payment.

- **Paying by Lump Sum**

As an alternative to paying Additional Pension Contributions (APCs) over time you can choose to buy **extra** pension by paying a single lump sum either from your pay or directly to Oxfordshire Pension Fund. If you choose to make payment directly to the Pension Fund you will need to arrange tax relief directly with HMRC as the contributions are not being deducted from your pay.

You can choose to make a lump sum payment to buy **extra** pension through an APC at any time whilst you are contributing to the main section of the scheme.

The amount of **extra** pension you purchase is added to your ***pension account*** in the ***scheme year*** in which payment is made.

- **General Additional Pension Contributions information**

The cost to you of buying **extra** pension is calculated in accordance with guidance issued by the Secretary of State for the Department for Communities and Local Government which can be reviewed at any time. The **extra** pension you are buying will increase in line with the cost of living, both before and after you draw your pension.

If you have more than one job in which you are a member of the scheme you would have to specify which job's ***pension account*** any **extra** pension you are buying is to be credited to. If you wish to pay Additional Pension Contributions for each job, you would have to make a separate election for each job.

The cost of any **extra** pension you buy is paid for by you unless your employer chooses to pay towards the cost of the APC. This is an employer ***discretion***. You can ask your employer what their policy is on this.

If you wish to buy **extra** pension and you already have an existing APC arrangement or, before 1 April 2014, you elected to buy additional pension under an Additional Regular Contribution (ARC) arrangement, the amount of additional pension from these existing

arrangements will be taken into account when determining the maximum **extra** pension you can buy within the £7,026 limit.

Any **extra** pension you purchase will be paid at the same time as your main LGPS benefits.

If you choose to retire early and draw your benefits before your ***Normal Pension Age***, or you are retired on redundancy or business efficiency grounds before your ***Normal Pension Age***, the **extra** pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for too, although it will be reduced for early payment. If you do so, your APC contract will cease (if you are still paying these extra contributions when you draw your benefits), although you will be able to take out a new APC contract.

If you are awarded (by your employer) an enhanced ill-health pension (either Tier 1 or Tier 2) then the remaining amount of any APC or SCAPC contract you are paying at that time is deemed to have been paid in full and is credited to your ***pension account*** in the ***scheme year*** your pension is paid.

If you draw your pension after your ***Normal Pension Age***, the amount of any **extra** pension you have bought will be increased as it is being paid later.

On retirement, you can choose to exchange some of the **extra** pension you have bought for a tax-free cash lump sum in the same way as your main LGPS pension. For more information on exchanging part of your pension for a lump sum see the leaflet on **YOUR PENSION.**

If you die in service then no extra benefits from your APC contract will be payable. This is because the amount of **extra** pension you were buying or bought is for you only.

If you die after leaving but before retirement and your benefits are held in the LGPS for payment (deferred benefits), then a lump sum of 5 times the **extra** annual pension you paid for will be payable.

If you die after starting to draw your pension and you are under age 75 at the date of death, a lump sum of 10 times your **extra** annual pension minus any **extra** pension already paid to you may be payable.

You can obtain a quote and print off an application form to buy **extra** pension at www.lgpsmember.org You can also contact **Pension Services** for further information on paying Additional Pension Contributions.

You may be required to undergo a medical examination at your own expense before being allowed to buy **extra** pension.

Paying *Additional Voluntary Contributions* (AVC) arranged through the LGPS (in-house AVCs)

All local government pension funds have an AVC arrangement in which you can invest money, deducted directly from your pay, through an AVC provider (often an insurance company or building society). If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up

with your contributions and the returns on your investment, and will be available to you when you retire. You can often choose which investment route you prefer.

You can elect to pay an AVC if you are in either the main or 50/50 section of the scheme.

You decide how much you can afford to pay. You can pay up to 100% of your ***pensionable pay*** into an in-house AVC in each job where you pay into the LGPS.

Your employer can also pay towards your AVC. This is known as a Shared Cost AVC. This is an employer ***discretion***.

AVCs are deducted from your pay, just like your normal contributions. Your LGPS and AVC contributions are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. You qualify for tax relief (normally at your highest rate) on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

Deductions start from the next available pay period after your election has been accepted and you may vary or cease payment at any time whilst you are paying into the LGPS.

You can also pay in-house AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of three times your ***assumed pensionable pay*** if you die in service, but you can pay AVCs to increase this and / or, if the AVC arrangement, Oxfordshire Pension Fund has set up includes this facility, 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. Any extra life cover paid for through AVCs will stop when you retire or leave or stop paying those premiums before leaving

Here are the different ways you may be able to use your in-house AVC Fund on retirement:

- **Buy one or more annuities**

  This is where an insurance company, bank or building society of your choice takes your AVC Fund and pays you a pension in return.

  You would buy an annuity at the same time as you take your LGPS benefits.

  An annuity is paid completely separately from your LGPS benefits.

  The amount of annuity depends on several factors, such as interest rates and your age. You also have some choice over the type of annuity, for example whether you want a flat-rate pension or one that increases each year, and whether you also want to provide for dependants' benefits in the event of your death.

  Annuities are subject to annuity rates which in turn are affected by interest rates.

  When interest rates rise, the organisation selling annuities is able to obtain a greater income from each pound in your AVC fund, and therefore can provide a higher pension. A fall in interest rates reduces the pension which can be purchased.

- **Buy a Top-up LGPS Pension**

When you take your LGPS benefits you can use some or all of your AVC fund to buy a top-up pension from the LGPS. This automatically provides an inflation-proofed pension and can also provide dependants' benefits. The amount of pension you receive is based on set factors which vary from time to time.

- **Take your AVCs as cash**

  You can take some or all of your AVC fund as a tax-free cash lump sum[1] but you can only take it all as a lump sum if you take it at the same time as your main LGPS benefits and provided, when added to your LGPS lump sum, it does not exceed 25% of the overall value of your LGPS benefits (including your AVC fund).

- **Buy extra membership in the LGPS**

  If your election to start paying AVCs was made before 13 November 2001 you may be able in certain circumstances (such as flexible retirement, retirement on ill health grounds, or on ceasing payment of your AVCs before retirement) to convert your AVC fund into extra LGPS membership in order to increase your LGPS benefits. To find out how benefits are calculated on this membership see the section **If you joined the LGPS Before 1 April 2014**.

- **Transfer your AVC fund to another pension scheme or arrangement**

  You can transfer your AVC fund to another pension scheme or arrangement, including to a scheme that offers flexible benefits, independently of your main scheme benefits; and provided you have stopped paying AVCs, you can even transfer your AVC fund even if you continue to contribute to the LGPS.

  If you were to transfer your AVC funds to a defined contribution scheme which provides flexible benefits, the four main flexible benefit options that scheme might offer from age 55, include:

  - to purchase an annuity (yearly pension) or scheme pension
  - taking a number of cash sums at different stages
  - taking the entire pot as cash in one go
  - flexi access drawdown – using your pension pot to provide a flexible income. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

  You should be aware that there may be tax implications associated with accessing flexible benefits. The income from a pension is taxable; the rate of tax you would pay depends on the amount of income that you receive from a pension and from other sources.

  Pension guidance is available from the Government's guidance website Pension Wise if you are considering taking flexible benefits. The guidance is free and impartial and can be accessed on the internet, by phone, or face to face. For more information see www.pensionwise.gov.uk

  If you are considering taking flexible benefits you should consider accessing this pension

[1] Provided the lump sum does not exceed £257,500 (2018/19 figure) or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

guidance and taking independent advice to help you decide which option is most suitable for you.

Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS.

If you draw benefits on flexible retirement and your AVC contract started on or after 13 November 2001 you can choose to take all of your AVC fund at the time you draw your flexible retirement benefits, and, if you wish, continue paying AVCs. If your AVC contract started before 13 November 2001 your AVC contract will cease and you will have to use all of your AVC fund in one of the above ways at the time you draw your flexible retirement benefits.

If you leave before retirement, your contributions will cease when you leave. The value of your AVC fund will continue to be invested until it is paid out. Your AVC plan is similar to your main LGPS benefits: it can be transferred to another pension arrangement or drawn at the same time as your LGPS benefits.

Payments into in-house AVCs will stop when you leave or retire.

You can also contact your Pensions Services for further information on paying AVCs.

Paying Free Standing *Additional Voluntary Contributions* (FSAVCs)

These are similar to in-house AVCs but are not linked to the LGPS in any way. With FSAVCs, you choose a provider, usually an insurance company. You may want to consider their different charges, alternative investments and past performance when you do this.

You choose how much to pay into an FSAVC arrangement. You can pay up to 100% of your UK taxable earnings, less your normal pension contributions.

Your FSAVC fund should grow as it is invested and will be available later in your life to convert into an additional pension of your choice. You can often choose which investment route you prefer.

You can take up to 25%[2] of the value of your FSAVC fund as a tax-free lump sum[3].

You can also pay FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your ***assumed pensionable pay*** if you die in service, but you can increase this amount via an FSAVC or use the FSAVC to provide additional dependants benefits on your death in service. This may be subject to satisfactory completion of a medical questionnaire.

[2] From April 2015 you can take the remainder of your FSAVC as a lump sum (subject to your marginal tax rate) provided the FSAVC provider allows this option.
[3] Provided the lump sum does not exceed £263750 (2019/20 figure) or if you have previously taken payment of (crystallised) pension benefits, 25% of your remaining lifetime allowance.

Contribute to a concurrent personal pension plan or stakeholder pension scheme

You may be able to make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGPS. With these arrangements, you choose a provider, usually an insurance company. You may want to consider their charges, alternative investments and past performance when you do this.

You choose how much to pay into the arrangement. You can pay up to 100% of your total UK taxable earnings in any one tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and be eligible for tax relief on those contributions.

If you pay into a personal pension plan or stakeholder pension scheme, the contributions you make to it are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and the returns on your investment, and will be available later in your life to convert into additional benefits. You can often choose which investment route you prefer.

When the benefits are paid, you will be able to take up to 25% of your Fund as a tax-free lump sum[4], with the remainder available for use to buy an annuity from an insurance company, bank or building society or, if the personal pension or stakeholder provider offers the option, to take as a taxable lump sum or to use for flexi access drawdown.

For more information on the variety of options available when drawing benefits from a personal pension plan or a stakeholder pension scheme see the Government's guidance website www.pensionwise.gov.uk. This website provides guidance on drawing flexible benefits only and does not provide information on taking benefits from a defined benefit scheme such as the LGPS.

I am already buying extra LGPS membership and or paying Additional Regular Contributions. Can I buy any extra benefits?

Even if:

- you are buying extra years of LGPS membership (added years) under a contract to do so which you began before 1 April 2008, and / or
- you are purchasing additional pension through an Additional Regular Contribution (ARC) contract which you started before 1 April 2014

you can still pay Additional Pension Contributions (APCs) to buy extra LGPS pension (APCs) up to a maximum of £7,026 (including any additional pension being bought by ARCs) and / or pay ***Additional Voluntary Contributions (AVCs)***, or Free Standing AVCs (FSAVCs), or contribute to a concurrent personal pension plan or stakeholder pension scheme, if you wish.

Can my employer award me any extra pension benefits?

Your employer, at their ***discretion***, can award additional annual pension up to £7,026. This can be

[4] Provided the lump sum does not exceed £26,3750 (2019/20 figure), or if you have previously taken payment of (crystallised) pension benefits 25% of your remaining lifetime allowance.

awarded to you if you are an active member or within six months of leaving the scheme if you leave on the grounds of redundancy or business efficiency. You can ask your employer what their policy is on this.

Your employer can also, at their ***discretion***, pay into your AVC scheme arranged through the LGPS (in-house AVCs). This is known as a shared cost AVC arrangement.

What happens if I pay extra and elect for the 50/50 option?

If you move from the main section of the scheme to the 50/50 section, the following rules apply:

If you have:

- entered into a contract to buy **extra** pension by making Additional Pension Contributions (APCs) or entered into a Shared Cost APC contract with your employer,

these contracts must cease when you elect to move to the 50/50 section. Also, when you are in the 50/50 section of the scheme, you cannot elect to commence payment of an APC contract, nor can you elect to commence payment of a Shared Cost APC, unless it's to purchase an amount of pension **lost** during certain periods of leave of absence on no pay or periods on no pay due to a trade dispute (see below).

If you have:

- entered into an APC contract to purchase the amount of **lost** pension due to a trade dispute, or
- entered into a Shared Cost APC to purchase the amount of **lost** pension during a period of unpaid authorised leave of absence or during a period of unpaid additional maternity, paternity or adoption leave, or
- entered into a contract to buy-back some previous part-time service, or
- prior to 1 April 2014 entered into a contract to buy extra pension (ARCs) or,
- prior to 1 April 2014 entered into a contract to count pre-6 April 1988 membership for a surviving ***eligible cohabiting partner's*** pension, or
- prior to 1 April 2008 entered into a contract to buy extra LGPS membership (added years)

these contracts continue when you elect to move to the 50/50 section and the contributions under the contracts must be paid in full.

If you have:

- entered into an AVC arrangement or a Shared Cost AVC arrangement with your employer,

these continue when you elect to move to the 50/50 section, unless you choose to terminate the contract. You can elect to commence payment of an AVC or Shared Cost AVC when you are in the 50/50 section of the scheme.

In the 50/50 section of the scheme you can commence payment of:

- a Shared Cost APC to purchase the amount of pension **lost** during a period of unpaid authorised leave of absence or during a period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave or,
- an APC to purchase the amount of pension **lost** during a trade dispute or,
- an AVC or Shared Cost AVC.

What if I'm paying extra and I am absent from work?

The rules that apply if you are paying extra contributions and you are absent from work due to:

- sickness or injury,
- ***relevant child related leave***,
- authorised leave of absence,
- a trade dispute, or
- ***reserve forces service leave***

are covered in the leaflet on **LEAVE OF ABSENCE AND THE LGPS**.

Do the tax rules on pension savings limit the extra I can pay?

There are HM Revenue and Customs controls on the total amount of contributions you can make into all pension arrangements and receive tax relief. There are also controls, known as the lifetime allowance and the annual allowance on all the pension savings you can have before you become subject to a tax charge. Most scheme members' pension savings will be less than these allowances.

You can, if you wish, pay up to 100% of your UK taxable earnings in any tax year into any number of concurrent pension arrangements of your choice (or, if greater, £3,600 to a "tax relief at source" arrangement, such as a personal pension or stakeholder pension scheme) and receive tax relief on the contributions.

The lifetime allowance is the total capital value of all your pension arrangements which you can build up without paying extra tax. If the value of your benefits when you draw them (not including any state retirement pension, state pension credit or any spouse's, ***civil partner's***, ***eligible cohabiting partner's*** or dependent's pension you may be entitled to) exceeds your lifetime allowance a tax charge will be made against the excess.

The lifetime allowance for 2019/20 is **£1,055,000** (unless you have a protected higher lifetime allowance – see the section on **Tax Controls and Your LGPS Benefits**).

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. Up until 2014/15 the pension saving year in the LGPS ran from 1 April to 31 March. From 6 April 2016, the pension saving year for all pension schemes was aligned with the tax year – 6 April to 5 April. Special transitional arrangements applied for 2015/16. The annual allowance for 2019/20 is £40,000, unless you are a high earner who is subject to the tapered annual allowance in which case it may be lower – see the section on **Tax Controls and Your LGPS Benefits.**

You would only be subject to an annual allowance tax charge if the value of your pension savings for a tax year increases by more than the annual allowance. However, a three year carry forward rule normally allows you to carry forward unused annual allowance from the last three tax years. This means that even if the value of your pension savings increases by more than the annual allowance in a year you may not be liable to the annual allowance tax charge.
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Most people will not be affected by the annual allowance tax charge because the value of their pension saving will not increase in a tax year by more than £40,000 or, if it does, they are likely to have unused allowance from previous tax years that can be carried forward.

If you have applied for lifetime allowance enhanced protection, fixed protection or fixed protection 2014 or fixed protection 2016 from HM Revenue and Customs you will lose that protection if you pay contributions into a money purchase pension arrangement (e.g. pay LGPS in-house AVCs or pay into a stakeholder or personal pension plan). You may not lose this protection if you are paying AVCs at 5 April 2006 purely for extra life cover and the terms of the policy have not varied significantly since then.

You can find out more about HM Revenue and Customs controls on your pension savings from the leaflet on **TAX CONTROLS AND YOUR LGPS BENEFITS**.

Further information, security and disclaimer

The information in this leaflet is based on the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (both effective from 1 April 2014) and other relevant legislation.
It applies to individuals who were contributing members of the Local Government Pension Scheme (LGPS) on 1 April 2014 or who have joined the scheme on or after that date. This leaflet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication

In the future the Government may make changes to overriding legislation and, after consultation with interested parties, may make changes to the LGPS.

This leaflet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees; nor does it cover rights that apply to a limited number of employees eg those whose total pension benefits exceed the lifetime allowance (£1,055,000 million in 2019/20), those whose pension benefits increase in any tax year by more than the standard annual allowance (£40,000 in 2019/20) or for high earners, the tapered annual allowance, those to whom protected rights apply, those whose rights are subject to a pension sharing order following divorce or dissolution of a civil partnership. In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

The booklet, as the combination of all the leaflets, explains the benefits available to you as a member of the LGPS. It describes how the scheme works, what it costs to be a member and the financial protection that it offers to you and your family.

Where pension terms are used, they appear in *bold italic* type and are described further at the end of the leaflet.

As the Administering Authority of the Fund we hold securely, certain information about you ("personal data"), which we need to administer the Fund. The information is provided by yourself and your employer. If you believe the information we hold is incorrect contact Pension Services. You will find more details, and the full privacy notice on www.oxfordshire.gov.uk/cms/content/administration-and-performance

You are welcome to contact Pension Services with any questions about how we use and or share your information, find out more about your rights or to see what information we hold.

The national website for members of the LGPS is www.lgpsmember.org

For more information or if you have a problem or question about your LGPS benefits, please contact

Pension Services
Oxfordshire Pension Fund
4640 Kingsgate
Oxford Business Park South
Oxford
OX4 2SU

Telephone: 0330 0241 359

E-mail: pension.services@oxfordshire.gov.uk

Please make an appointment first if you wish to visit the offices with an enquiry

Website: www.oxfordshire.gov.uk/pensions

You can find out about what you can do if you are not happy about a decision made about your LGPS pension position from the leaflet HELP WITH PENSION PROBLEMS.

Your on-line secure pension record
You can sign up to your pension record ***My Oxfordshire Pension*** at https://oxfordshire.pensiondetails.co.uk
You will be able to keep your address details current and find scheme notices and documents on this record.
We will be using ***My Oxfordshire Pension*** as the primary communication method with our scheme members unless we receive a written notice that you are unable to access the internet

Some terms we have used in this leaflet

Additional Voluntary Contributions (AVCs)
These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover.

All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief if you earn enough to pay tax.

Assumed pensionable pay
This provides a notional ***pensionable pay*** figure to ensure your pension is not affected by any reduction in ***pensionable pay*** due to a period of sickness or injury on reduced contractual pay or no pay, or ***relevant child related leave*** or ***reserve forces service leave***.

If you have a period of reduced contractual pay or no pay due to sickness or injury or you have a period of ***relevant child related leave*** or ***reserve forces service leave*** then your employer needs to provide the Oxfordshire Pension Fund with the ***assumed pensionable pay*** you would have received during that time unless during the period of ***relevant child related leave*** the ***pensionable pay*** received was higher than

the value of the ***assumed pensionable pay***. This requires a calculation to be carried out by your employer to determine what your pay would have been for the period when you were on reduced contractual pay or no pay due to sickness or the period of ***relevant child related leave*** or ***reserve forces service leave***.

The ***assumed pensionable pay*** is calculated as the average of the ***pensionable pay*** you received for the 12 weeks (or three months if monthly paid) before the pay period in which you went on to reduced pay or no pay because of sickness or injury or you started a period of ***relevant child related leave*** or ***reserve forces service leave***. In calculating the average, any reduction due to authorised leave of absence or due to a trade dispute is ignored. If the pay you received in the 12 weeks (or three months if monthly paid) before the pay period in which you went on to reduced pay or no pay is materially lower than the pay you would normally receive, your employer has a discretion to use a higher pay in the calculation. Your employer must have regard to the ***pensionable pay*** you earned over the previous 12 months when determining what your normal level of ***pensionable pay*** is.

Once the average pay has been determined the resulting figure is then grossed up to an annual figure and then divided by the period of time you were on reduced pay or no pay for sickness or injury or on ***relevant child related leave*** or ***reserve forces service leave.***

Assumed pensionable pay is also used to work out:

- any enhancement to your pension awarded due to ill health retirement
- any lump sum death grant following death in service, and
- any enhancement which is included in survivor benefits following death in service.

The ***assumed pensionable pay*** for these purposes is calculated as the average of the ***pensionable pay*** you received for the 12 weeks (or three months if monthly paid) before you died in service or before you left employment due to ill-health retirement. In calculating the average, any reduction due to authorised leave of absence or due to a trade dispute is ignored.

If the pay you received in the 12 weeks (or three months if monthly paid) before you died in service or before you left employment due to ill-health retirement is lower than the pay you would normally receive, your employer has a discretion to use a higher pay in the calculation. Your employer must have regard to the pensionable pay you earned over the previous 12 months when determining what your normal level of pensionable pay is. If an independent registered medical practitioner certifies that, during the period used to determine ***assumed pensionable pay***, you were working reduced contractual hours because of the ill-health which led to your retirement or death in service, the ***assumed pensionable pay*** is to be calculated on the pay you would have received during that period had you not been working reduced contractual hours. The resulting figure is then grossed up to an annual figure.

Consumer Prices Index (CPI)
The ***Consumer Price Index (CPI)*** is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your ***pension account*** at the end of every ***scheme year*** when you are an active member of the scheme and, after you have ceased to be an active member, it is used to review (each April) the value of your deferred pension in the scheme and any pension in payment from the scheme. The adjustment ensures your pension keeps up with the cost of living.

Discretion
This is the power given by the LGPS to enable your employer or Oxfordshire Pension Fund to choose how they will apply the scheme in respect of certain provisions. Under the LGPS your employer or Oxfordshire Pension Fund are obliged to consider how to exercise their ***discretion*** and, in respect of some (but not all) of these discretionary provisions, to have a written policy on how they will apply their ***discretion***. They have a responsibility to act with ‘prudence and propriety’ in formulating their policies and must keep them under review. You may ask your employer or your administering authority what their policy is in relation to a ***discretion***.

Eligible cohabiting partner
An ***eligible cohabiting partner*** is a partner you are living with who, at the date of your death, has met all of the following conditions for a continuous period of at least two years:

- you and your cohabiting partner are, and have been, free to marry each other or enter into a ***civil partnership*** with each other, and
- you and your cohabiting partner have been living together as if you were husband and wife, or ***civil partners***, and
- neither you nor your cohabiting partner have been living with someone else as if you/they were husband and wife or ***civil partners***, and
- either your cohabiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

Your partner is financially dependent on you if you have the highest income. Financially interdependent means that you rely on your joint finances to support your standard of living. It doesn't mean that you need to be contributing equally. For example, if your partner's income is a lot more than yours, he or she may pay the mortgage and most of the bills, and you may pay for the weekly shopping.

On your death, a survivor's pension would be paid to your cohabiting partner if:
- all the above criteria apply at the date of your death, and
- your cohabiting partner satisfies Oxfordshire Pension Fund that the above conditions had been met for a continuous period of at least two years immediately before your death.

You are not required to complete a form to nominate a cohabiting partner for entitlement to a cohabiting partner's pension. However, you can provide Pension Services with your cohabiting partner's details. Oxfordshire Pension Fund will require evidence upon your death to check that the conditions for a cohabiting partner's pension are met.

Normal Pension Age
Normal Pension Age is linked to your ***State Pension Age*** for benefits built up from 1 April 2014 (but with a minimum of age 65) and is the age at which you can take the pension you have built up in full. If you choose to take your pension before your ***Normal Pension Age*** it will normally be reduced, as it's being paid earlier. If you take it later than your ***Normal Pension Age*** it's increased because it's being paid later.

You can use the Government's ***State Pension Age*** calculator (www.gov.uk/calculate-state-pension) to find out your ***State Pension Age***.

Remember that your ***State Pension Age*** may change in the future and this would also change your ***Normal Pension Age*** in the LGPS for benefits built up from 1 April 2014. Once your LGPS pension is being paid to you, any subsequent change in your ***State Pension Age*** will not affect your ***Normal Pension Age*** in the LGPS.

If you were paying into the LGPS before 1 April 2014 your final salary benefits retain their protected ***Normal Pension Age*** - which for most is age 65.
However, all pension benefits paid on normal retirement must be taken at the same date, i.e. you cannot choose to have your final salary pension (built up before April 2014) paid at age 65 and your pension in your ***pension account*** (built up from April 2014) at your ***Normal Pension Age*** (which for benefits built up from 1 April 2014 is linked to your ***State Pension Age*** but with a minimum of age 65).

Pensionable pay
The pay on which you normally pay contributions is your normal salary or wages plus any shift allowance, bonuses, overtime (both contractual and non-contractual), Maternity Pay, Paternity Pay, Adoption Pay, Shared Parental Pay and any other taxable benefit specified in your contract as being pensionable.

You do not pay contributions on:

- any travelling or subsistence allowances
- pay in lieu of notice
- pay in lieu of loss of holidays
- any payment as an inducement not to leave before the payment is made
- any award of compensation (other than payment representing arrears of pay) made for the purpose of achieving equal pay
- pay relating to loss of future pensionable payments or benefits,
- any pay paid by your employer if you go on reserve forces service leave nor
- the monetary value of a car or pay received in lieu of a car (apart from some historical cases).

Public service pension scheme
A ***public service pension scheme*** includes a pension scheme covering civil servants, the judiciary, the armed forces, any scheme in England, Wales or Scotland covering ***local government*** workers, or teachers, or health service workers, or fire and rescue workers or members of the police forces; or membership of a new public body pension scheme.

Relevant Child Related Leave
Relevant child related leave includes periods of Ordinary Maternity, Adoption or Shared Parental Leave (normally first 26 weeks) Paternity Leave and any periods of paid Additional Maternity, Adoption or Paternity Leave (normally after week 26 weeks up week 39) or Shared Parental Leave.

Reserve Forces Service Leave
This occurs when a Reservist is mobilised and called upon to take part in military operations. The period of mobilisation can range from three months or less and up to a maximum of 12 months. During a period of ***reserve forces service leave*** you will, if you elect to stay in the LGPS during that leave, continue to build up a pension based on the rate of ***assumed pensionable pay*** you would have received had you not been on ***reserve forces service leave***

Scheme Year
The ***scheme year*** runs from 1 April to 31 March each year.