

Local Government Pension Scheme (LGPS)

Northumberland County Council Additional Voluntary Contributions (AVCs)

You may recently have read about some changes to the rules affecting tax and pensions and we are writing to tell you more about what this could mean to you, and how it could help you save for retirement in a more flexible way. Even if you have looked into AVCs before and not gone ahead, the recent changes may well make you want to think again. Here's a quick recap of the recent changes to the rules of the LGPS:

- ▶ **The 15% maximum pension contribution has been removed, so it is now possible to pay up to the equivalent of your earnings in any year**
- ▶ **The old maximum benefit limit has now been scrapped, meaning even long serving members can pay more in if they like**
- ▶ **The main restriction on pension benefits is a new lifetime allowance, and as this is currently £1.5 million, very few members will exceed this**
- ▶ **UK tax law now allows some or perhaps all of an AVC fund to be taken as a tax free lump sum.**

This brings much more freedom for many LGPS members to plan for retirement, here are some examples...

- ▶ **Existing AVC account holders: when you started your Local Government AVC it could only be used to provide death cover or a pension, whereas you now have the chance to draw some or perhaps all of it as tax-free cash.**
- ▶ **Are you paying the maximum under the old rules? The old rules may well have limited your AVC contributions – but with these limits gone, you could now pay more in.**
- ▶ **Could you potentially get 40 years LGPS service by 65? Under the old rules you couldn't buy extra membership in the LGPS, and AVCs were very much restricted. You now have more scope with both options.**
- ▶ **Are you a taxpayer? If you are, the government effectively makes a contribution towards your pension savings, by giving you tax relief. For example, if you pay tax at 22%, every £100 you pay in only costs £78. Similarly, if you are a 40% taxpayer the cost is only £60. And the same tax relief applies to AVCs – but now with the chance to draw some or perhaps all of your AVC fund as tax-free cash.**
- ▶ **It's never too late: Topping up benefits used to be a long term option, but now, even if you only have short time to go before you retire, you could still take out AVCs and perhaps draw them as a tax-free lump sum - an option that wouldn't previously have been possible.**

Take the next step If you would like to find out more about any of the above, without financial advice but with clear guidance to reach a balanced decision, please contact Prudential - your pension fund's appointed AVC provider. To get your information pack, phone 0845 607 0077, e-mail your contact details to northumberlandavc@prudential.co.uk, or fill in the slip below and return it in the enclosed prepaid envelope.

PLEASE SEND ME AN INFORMATION PACK ON THE AVC SCHEME. I UNDERSTAND THIS WILL NOT COMMIT ME TO PAYING AVCs.

Name:..... **Address:**.....

National Insurance Number:.....

Phone number: Daytime..... **Evening**.....

Pension Fund: Northumberland County Council **Do you already pay AVCs?** **Yes / No**
 (Delete as applicable)