



## Additional Pension Contributions

### Buying Extra Pension

Terms and Conditions version 2.0

#### General

Whilst you are an active member in the main section of the LGPS you can choose to buy extra pension by spreading payment of the Additional Pension Contributions (APCs) over a number of complete years or by making a one-off lump sum payment. However, if you are a year or less from your Normal Pension Age (NPA) under the pension scheme, you are over NPA or your pension fund administering authority take the view that spreading payments would be impracticable you can only pay by means of lump sum.

If you choose to spread the payments, the APCs would be deducted from your pay each pay period and, if you earn enough to pay tax, attract automatic tax relief. If you choose to make payment by a one off lump sum this would normally be deducted from your pay (with automatic tax relief). However, you have the option to make a lump sum payment direct to your pension fund administering authority but you would then be responsible for claiming any tax relief due (if you earn enough to pay tax) on the payment direct from HM Revenue and Customs via your self-assessment tax return.

If you choose to buy extra pension by making a lump sum payment, you will be credited with the full amount of extra pension bought.

If you choose to spread payment of the APCs over a number of complete years you will be credited with the full amount of extra pension bought if you complete the payments or if, before completing payments, you are retired on the grounds of ill health with an enhanced pension. In all other cases, if you cease payments early (either because you choose to cease making the payments or because you cease membership of the pension scheme) you will be credited with the amount of extra pension you had bought at that time.

Your employer can choose to contribute to the amount of extra pension to be purchased. This is an employer discretion and you can ask your employer what their policy is on this.

Your pension fund administering authority may require a satisfactory medical report to be submitted, at your cost, before your application is accepted. Where this is the case you will be notified of the process to be followed after submitting your application to pay APCs.

Any extra pension bought increases the pension payable to you when you draw your pension. If you draw your pension before your Normal Pension Age (NPA) under the pension scheme the extra pension that has been bought will, unless retirement is on the grounds of ill health, be subject to a reduction (because you are drawing it early) and if you draw your pension after your NPA it will be subject to an increase

(because you are drawing it late). Your NPA is equal to your State Pension Age at the time you start to draw your pension (but with a minimum of age 65).

In the event of your death, no extra pension benefits will be payable to your dependants in respect of the extra pension bought (as the APCs buy extra pension for you only).

It should be noted that if you enter into a contract to buy APCs via regular payments, the contributions you pay are subject to periodic review and may increase in the future. If this applies, your pension fund administering authority will let you know the revised contributions payable and the new contributions will apply from the April following the review.

### **The Process**

When making an application you must specify the amount you wish to pay or the amount of pension you wish to buy and, if payments are to be made by regular contributions, the period over which the contributions are to be paid (but the end date for regular contributions can be no later than your NPA under the pension scheme).

If you have more than one active pension account in the scheme (i.e. because you are in the scheme in more than one job) you must specify which job the extra pension is to be credited to. If you wish to pay APCs for each job, you will have to submit separate APC applications for each job.

After getting the APCs quote from this website you should, using the application form provided on this website, submit the signed, completed application to your pension fund administering authority.

Contact details for your pension fund administering authority can be found at [www.lqpsmember.org](http://www.lqpsmember.org) under [Contact your fund](#).

If your employer has agreed to meet part of the cost of buying the extra pension you must obtain their agreement in writing showing the amount of extra pension to be bought and the share of the cost that they will meet. A copy of their written agreement must accompany your application to pay APCs.

If you choose to pay by regular additional payments, or by a one off lump sum deduction from pay, your employer will commence deduction of the APCs from your pay from the next available pay period after they receive agreement from your pension fund administering authority and notify you that your application has been accepted unless: (a) the pension fund administering authority requires a satisfactory medical report to be submitted first, or (b) your employer considers that, based on your previous pay history, it is not likely to be possible to collect the APCs you wish to pay, or (c) your pension fund administering authority takes the view that spreading payments would be impracticable and requires that you pay via a lump sum .

You will be notified if the pension fund administering authority requires you to submit a medical report before your application can be accepted or if your application to pay APCs has been turned down and, if so, the reason your application has failed.

If you choose to pay by a lump sum payment made direct to the pension fund administering authority you should not submit the payment to them until they have confirmed that your application has been accepted and they have provided you with details of how to make the payment. If they require a satisfactory medical report to be submitted before the application can be accepted they will inform you of this. Where you are paying by lump sum payment, direct to the pension fund administering authority, you should be aware that there are potential tax implications if you use a tax free lump sum due from, or already received from, a pension scheme to pay for the APCs. This activity is known as recycling and you can find more information at the [HMRC website](#).

Please note that if there is a delay in a decision on whether your application can be accepted which is caused by you and you pass a birthday which results in the cost of purchasing extra pension to change, you will be asked to resubmit a new application.

### **The Agreement**

By signing the application form to buy extra pension you agree to the amounts shown as payable by you being deducted from your pay or invoiced to you depending on the method of payment chosen. If regular payments have been selected then your agreement to deduct the amount shown as payable by you continues for the period shown on the application form.

Should you fail to meet any of the payments due the agreement shall cease and the amount of pension purchased shall be adjusted to take account of the period over which payments have not been received.

### **Potential tax implications**

Please be aware that any extra pension you purchase will count towards the maximum pension you can build up in a year and over your lifetime without incurring a tax charge. Most people will not exceed these maximums but, for those that do, there will be a tax charge.

There are two controls – the annual allowance and the lifetime allowance. Please refer to the [annual allowance factsheet](#) and the [lifetime allowance factsheet](#) for more information.