

Local Government Pension Scheme (LGPS) Additional Pension Contributions (APCs)

If you are in the main section of the LGPS, you can pay additional contributions to buy extra pension. The most that you can buy is **£8,344** of extra yearly pension. You can pay for the extra pension by paying APCs over a number of complete years or by paying a lump sum.

The cost of buying extra pension depends on your age, how much yearly pension you buy and how you choose to spread the payments. The cost of buying extra pension is reviewed every few years. If you buy extra pension by paying regular contributions, the amount you pay each pay period may change in the future.

You cannot buy extra pension if you are in the 50/50 section of the LGPS

If you wish to buy extra pension by paying a lump sum, there are two ways that you can do this:

- through your pay – if you pay tax, you will receive tax relief through the payroll
- pay the pension fund directly – you will need to arrange tax relief with HM Revenue and Customs (HMRC). You can do this via your self-assessment tax return or by contacting HMRC. You can read more about tax on your private pension contributions on the Government website; <https://www.gov.uk/tax-on-your-private-pension/pension-tax-relief>

If you pay APCs over a number of years, the regular contributions would be taken from your pay, just like your normal pension contributions. Your normal contributions and additional contributions are deducted before your tax is worked out. If you pay tax, you will receive tax relief automatically through the payroll. Tax relief is available on all pension contributions up to 100% of your taxable earnings.

The shortest period that you can spread APC payments over is 12 months. The maximum is the number of years to your Normal Pension Age (NPA). Your NPA is linked to your State Pension age. If you are a year or less from your NPA, you can only pay by lump sum.

You can use the pension calculator on the LGPS Members website to find out more about paying APCs and the cost to you; <https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/>

Employer awards of extra pension

Your employer can award you with extra pension of up to £8,344. They can award this to you while you are an active member. They can also award you extra pension within six months of leaving your job, but only if you leave because of redundancy or business efficiency. This is a discretion and you can ask your employer about their policy on awarding extra pension.

Taking your extra pension

Any extra pension that you or your employer has paid for is attached to your LGPS benefits. The extra pension will be paid to you when you take your main LGPS pension. The extra pension is payable from your NPA. It will generally be reduced if you take your pension early or increased if you take it later. Different rules apply if you retire because of ill health. You can find out more about buying extra pension in the following *Buying extra pension – Terms and Conditions* below.

Useful links

- Paying more - <https://www.lgpsmember.org/your-pension/paying-in/paying-more/>
- Pensions made simple videos - <https://www.lgpsmember.org/help-and-support/videos/>
- New State Pension age - <https://www.gov.uk/new-state-pension>

Buying extra pension – Terms and Conditions

You can buy extra pension if you are paying into the main section of the LGPS. The maximum amount of pension you can buy increases each year in April.

You can spread the cost of buying extra pension by making regular payments from your salary, or you can pay by lump sum. However, the option of making regular payments is not available if:

- you are within 12 months of your Normal Pension Age (NPA)
- you are over your NPA
- the pension fund decides it is not practical

If any of the above apply you can only buy extra pension by making a lump sum payment. The pension fund may ask you to submit a medical report before accepting your application.

Regular payments

If you choose to make regular payments the Additional Pension Contributions (APCs) will be taken from your salary each pay period. If you earn enough to pay tax, you will get tax relief on the APCs.

The minimum payment period is one year, and the maximum is the number of complete years to your NPA. The extra pension you buy in each year of the agreement will be added to your pension account in that year – it will then be adjusted in line with the cost of living at the end of each year.

If you leave the LGPS or choose to stop paying APCs before the end of your agreed payment period, you will be credited with the amount of additional pension have paid for. However, if you have to retire because of your ill health and your pension is enhanced, you will be credited with the full amount of pension you agreed to buy.

The contributions you pay will be reviewed from time to time and could increase in the future. If this applies, the pension fund will let you know how much your contributions will change by. The increased contributions which will be payable from the April following the review.

Lump sum payments

If you pay by lump sum you can either, make a payment directly to the pension fund or pay the lump sum from your salary (provided your salary in the relevant pay period is sufficient to cover the lump sum).

If you pay the lump sum directly to the pension fund you will be responsible for claiming any tax relief – you do this by submitting a self-assessment tax return. If you pay the lump sum from your salary tax relief will be applied automatically.

The extra pension you buy will be added to your pension account in the year you pay for it. It will then be adjusted each year in line with the cost of living.

Employer funded APCs

Your employer can choose to contribute towards the cost of buying extra pension. You can check with your employer what their policy is on this.

Taking the extra pension

The amount of extra pension you buy is paid to you when you take your pension. If you take your pension before your normal pension age (NPA) it will normally be reduced for early payment. If you take it after your NPA it will be increased. Your NPA is the same as your State Pension age. If you have to retire early because of your ill health, the extra pension will not be reduced for early payment.

The extra pension you buy is for your benefit only. No extra pension is paid to your dependents when you die.

The process

When you have completed the application form you should send it to the pension fund. We will let you know if we require you to submit a medical report before your application can be accepted. If your employer has agreed to meet some of the cost, you must get their written agreement and submit this with your application form. The agreement should detail the amount of pension you are buying and how much they will pay.

If you have more than one job you must specify which job the extra pension is to be credited to. If you want to pay APCs for each job, you will need to submit separate applications for each job.

If you are paying APCs from your salary your employer will start taking the payments from the next available pay period after the pension fund agrees your application. The pension fund has the right to refuse your application for regular payments if it thinks it is not practical – this will usually be if the payments are very small. Your employer will check that you earn enough to be able to make the payments you wish to pay.

If there is delay in processing your application form which is caused by you, you will be asked to submit another application form if you pass a birthday, or your payment period exceeds the maximum.

Tax implications

Any extra pension you buy will count towards the maximum pension you can build up in a year and over your lifetime. Most people do not exceed the limits, but if you do, you will need to pay a tax charge. You can read more on the tax page of the LGPS members website which has information about these limits; <https://www.lgpsmember.org/your-pension/the-essentials/tax/>

If you are paying by a lump sum directly to the pension fund, you should be aware that there are potential tax implications if you use a tax-free lump sum from a pension scheme. This is known as recycling – you can find out more information on HMRC's website.

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.

Should you fail to meet any of the payments due the agreement will end and you will only be credited with the pension you have paid for.

Contact Us

If you would like further information about the LGPS, you can contact us:

**LG Administration Team, Isle of Wight Council Pension Fund,
County Hall, Newport, Isle of Wight PO30 1UD**

Email: pensions@iow.gov.uk

MSS online portal: <https://www.iwcpensions.co.uk>

Telephone: 01983 823626

Website: IWPF <https://www.isleofwightpensionfund.org>