Norfolk Pension Fund

lgps 2014 — for you, for now, for the future

Buying Additional Pension

Guide for Scheme Members

August 2021

Additional Pension Contributions (APCs)

How does buying extra pension work?

You can choose to buy extra pension by paying 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), you are over your NPA or we believe spreading payments would be impractical, you can only pay by means of lump sum.

You can pay APCs either from your pay or, by making payment by lump sum directly to Norfolk Pension Fund. The minimum payment period 12 months and the maximum period is the number of years to your NPA.

The cost of any extra pension you buy is paid for by you unless your employer chooses to pay some or all of the cost of the APC. Shared cost APCs (except in cases where a member chooses to buy lost pension within 30 days of returning to work) are at your employer's discretion.

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

How much extra pension can I buy?

If you are in the main section of the Scheme, you can pay APCs to buy any amount of extra annual pension up to the maximum amount. The maximum amount is increased from 1st April each year in line with LGPS Regulations and is shown on your personal quotation. Any extra pension you buy is payable each year from retirement and is payable on top of your normal LGPS benefits.

What would the dependants' benefits be?

If you die no extra benefits from your APC contract will be payable. This is because the amount of extra pension you purchase is for you only.

How much does it cost?

We have provided a quote showing the cost over the minimum time period, maximum time period and any other you may have requested as well as the cost of paying by lump sum.

Please note the cost of buying extra pension can go up or down in the future, even once you have started paying a contract. We would let you know if this happened and you can decide to continue by paying the revised cost or stop paying into the contract

Would I get income tax relief?

If you pay tax, any extra regular contributions or one-off lump sum taken from your pay will receive tax relief automatically through the payroll.

Note: 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 an additional pension contribution arrangement.

Would I get income tax relief if I make a direct lump sum?

If you choose to make a one-off lump sum payment directly to the Norfolk Pension Fund you would be responsible for claiming any tax relief via your self-assessment tax return to HM Revenue and Customs.

How can I make a direct payment to the Norfolk Pension Fund?

If you decide to pay a one off lump sum directly to the Norfolk Pension Fund, we will provide our bank details.

Could I stop the additional payments?

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

What would happen if I retired before or after my Normal Pension Age?

Any extra pension bought increases the pension payable to you when you take your pension. If you take your pension before your Normal Pension Age (NPA) the extra pension bought will, unless retirement is on the grounds of ill health, be subject to reduction (because you are taking it early). If you take your pension after your NPA it will be subject to an increase (because you are taking it late).

When is my Normal Pension Age?

Normal Pension Age (NPA) is your state retirement age. This could currently be any date between age 65 and age 68, depending on your date of birth. This could also change in the future and would affect the payable date for your extra pension. We show your NPA on our quotations. Alternatively, you can also find your Normal Pension Age here: www.gov.uk/calculate-state-pension.

What would happen when I retire?

When you retire, the extra pension you have bought would be increased to allow for price inflation since you started to buy it. Subject to tax rules, 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 (£12.00 lump sum for every £1.00 p.a. pension you gave up).

What other extra contribution options are there?

You’re allowed to pay up to 100% of your earnings as a pension contribution. Allowing for the basic LGPS contribution, this leaves between 87.5% and 94.5% of pay available for extra contributions.

As well as (or instead of) buying pension, you could put up to half of your pay into one of our AVC (Additional Voluntary Contribution) schemes, which are run for us by Clerical Medical and Prudential Assurance (the choice is yours). Please contact the Norfolk Pension Fund for details.

If you work for Norfolk County Council you can join their Shared Cost AVC scheme. For more information, please contact AVC Wise at www.avcwise.co.uk.

An AVC is an investment arrangement and the result would depend upon how well your investment performed and upon financial market conditions when you retired. At retirement, your AVC fund would become available to buy an annuity, which could be bought privately (known as an open market option); through the LGPS; or directly from your AVC company. You would also be able to take it as a tax-free lump sum if it didn't break any tax limits.

Alternatively, you're free to make extra pension arrangements privately.

Annual Allowance Potential Tax Implications

The annual allowance is the amount your pension savings can increase by in any one year without paying extra tax. For the LGPS the pension savings year runs from 1 April to 31 March. The current annual allowance is £40,000.

Buying the maximum, or a large amount of additional pension as a lump sum or monthly contributions over a one year term could breach the annual allowance limit.

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 to carry forward. If you think a tax charge could apply, we recommend you seek independent financial advice.

Which option is best?

Although we are able to offer in-depth advice on the LGPS and its associated AVC schemes, we regret, we are not registered as financial advisers so we can't give you investment advice; nor can we speculate about which of the companies, funds or extra contribution methods is likely to perform the best. If you want professional financial advice but are not sure how to find it, an organisation called IFA Promotion would be happy to help you. Their website is at www.unbiased.co.uk or you may prefer to phone them on 0800 023 6868.

If you think anything is wrong, please let us know and we'll look into it. If you're not happy with our answer, you're entitled to make a complaint through our legal dispute procedure. A copy of this is available on our website www.norfolkpensionfund.org under 'Governance > Publications and documents > Guides > Dispute Procedure Guide for Members (G071 Issue 14 April 2018)'.

Shared Cost Additional Pension Contributions

Shared Cost Additional Pension Contributions (SCAPCs) cover the amount of pension lost during period of unpaid additional Maternity, Paternity and Adoption leave or periods of unpaid authorised leave of absence. Shared cost means if you want to cover such a period, the cost of buying the lost pension is shared between you and your employer, with your employer meeting 2/3rds of the cost (provided you make an election to buy the lost pension within 30 days of returning to work).

You can pay the additional pension contributions in a one-off lump sum or by regular payments from your pay.

The maximum period of absence you can elect to buy back by a SCAPC is a period of 3 years.

Please note you don't need to buy lost pension if you are on sick leave with reduced or no pay or you are a new parent on a period of ordinary maternity, paternity or adoption leave and any period of paid additional maternity, paternity or adoption leave. This is because your pension builds up as normal during these periods of reduced pay.

Norfolk Pension Fund: Data Protection

Norfolk County Council on behalf of Norfolk Pension Fund is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit www.norfolkpensionfund.org.

Please note we are happy to help you understand your pension and pension options; we are not able to offer financial advice. If you need financial advice you should contact an Independent Financial Advisor (IFA) who is regulated by the Financial Conduct Authority (FCA)

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These notes have been prepared on the Norfolk Pension Fund understanding of the information presently available including the relevant legislation governing the Local Government Pension Scheme and associated overriding legislation. No responsibility whatsoever will be assumed by the Norfolk Pension Fund for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on the information contained herein.

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