

Local Government Pension Scheme (LGPS)
Royal Borough of Kensington and Chelsea Pension Fund
Paying more to increase your benefits
Additional Pension Contributions (APCs) – April 2022

RBKC 2022.V1

What are Additional Pension Contributions (APCs)?

If you are in the Main Section of the LGPS you can elect to pay more in contributions to buy up to £7,352 (2022/23 figure) of extra annual pension - this is payable on top of your normal LGPS benefits.

IMPORTANT – you cannot elect to pay APCs if you are in the 50/50 Section of the scheme.

You can make a lump sum payment or regular contributions. If you make regular contributions these are taken from your pay, just like your LGPS contributions.

You can pay APCs at any time up to a year before your normal pension age (NPA) which is linked to your State Pension Age with a minimum of age 65. If you choose to make regular payments, you decide how long you want to pay the extra contributions for, although it must be for a number of whole years and payment must be completed by your NPA.

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.

How much will it cost me?

The cost of APCs depends on your gender, age and the duration of the payments. You should use the APC calculator on the national LGPS website <https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-extra-pension-calculator/> to work out how much it will cost you.

Examples of how much APCs cost (2019/20 figures):



Example 1: Tracy is 25 and wants to buy **£2,000 a year** extra pension for when she retires. She wants to pay for this **over 10 years**.

Based on her gender, age, and the duration of payments, she will pay £143.80 (gross) each month for 10 years, totalling £17,256 to receive an extra annual pension of **£2,000** *



Example 2: Kevin is 59 and he has **£60 spare** at the end of each month. He wants to buy some extra pension for when he plans to retire at age 66.

He can afford £60 each month (gross) over the next **5 years** totalling £3,600. Based on his gender, age and the duration of his repayments he will receive an extra annual pension of **£207.04** *

* Provided the member completes the contract and does not retire before their NPA. Calculation correct at time of edit.

How do I buy APCs?

You need to decide if you want to:

1. pay regular contributions over a number of complete years, **OR**
2. make a one-off lump sum payment.

If you choose to pay regular contributions, they would be deducted from your pay each pay period and, if you pay tax, you will receive tax relief (at your highest rate) automatically through the payroll.

If you choose to make a one-off lump sum payment, this would normally be deducted from your pay and if you pay tax, you will receive tax relief. You also have the option to make the one-off lump sum payment direct to the Pension Fund but you would be responsible for claiming any tax back from HM Revenue and Customs yourself. Instructions on how to make a payment direct to the pension fund will be supplied to you once your application has been accepted.

Will I have to have a Medical?

Before your application can be accepted, you must satisfy the administering authority that you are in reasonably good health. This is because your extra pension would be paid in full if you have to retire early due to permanent ill health and you qualified for an enhanced pension.

IMPORTANT – you must arrange for a registered medical practitioner to complete Section B of the LG41 APC Application form.

It will not be possible for you to start paying additional contributions until this section has been completed.

How do I apply?

Once Section B of the pack has been completed you should use the **APC calculator** on the national LGPS website to decide your payment preference. You will need to use the **Buy extra pension – Quote and apply** option on the calculator to obtain a quote.

When making an application you must specify:

- * the amount you want to pay **OR**
- * the amount of pension you want to buy **AND**
- * whether you wish to pay a one off lump sum **OR**
- * if the payments are to be made by regular contributions, the duration of the payments.

Once you have made your decision, you should print off and sign the *Buying Extra Pension - Application for Additional Pension Contribution (APC)* form from the LGPS website and send it to your administering authority along with the LG41 APC application pack to be authorised. Contact details can be found on page 3 of the LG41 APC application form.

Will my employer pay in too?

Your employer can choose to contribute to the amount of extra pension you are buying, but this is an employer discretion. You can ask your employer what their policy is on this.

What if I have more than one job?

If you have more than one job in which you are a member of the scheme, you must specify which job the extra pension is to be added to. If you want to pay APCs for each job, you will have to submit a separate **LG41 APC Application Form** for each job.

Can the cost of APCs change?

The cost of buying extra pension is calculated in accordance with guidance issued by the Government Actuary which can be reviewed by them at any time. Your payments may change if revised guidance is received, and we will write to you to let you know if this happens.

Can I buy extra pension for my dependants?

The amount of additional pension purchased provides benefits **for you only** and it will not be used in the calculation of any survivors' or children's pensions.

Can I stop paying APCs?

You can choose to stop paying APCs at any time by notifying RBKC Pensions Team and your employer in writing.

What happens to my APCs if I leave before retirement?

If you leave or retire before completing your APC payments, your contributions will stop and you will be credited with the extra pension that you have paid for at the time of leaving. The extra pension is fully inflation-proofed, both before you retire and when you start getting your pension.

What happens to my APCs on retirement?

Your extra pension will be paid at the same time as your LGPS benefits.

If you choose to retire early and draw your benefits before your normal pension age (NPA), or retire on redundancy or business efficiency grounds before your NPA, the extra pension you have bought will be reduced to reflect the fact it is being paid early.

If you draw your benefits on flexible retirement, the extra pension you have paid for will be paid, and it will be reduced if you have not reached your NPA at the time you draw your pension.

IMPORTANT – The additional pension you have bought is reduced if you retire before NPA even if you meet the 85-year rule and your other pension benefits are paid unreduced.

What happens if I die?

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 purchase is for you only.

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

If you die on 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. There will be an adjustment to this calculation if you elected to receive an additional lump sum in exchange for a reduced pension on retirement.

Other ways to increase your benefits

APCs are just one of the ways to increase your pension benefits. You can find out more about increasing your pension in other ways by visiting the national website for members of the LGPS **www.lgpsmember.org**.

IMPORTANT – you may want to seek independent financial advice before making a decision to pay extra contributions. You can find independent financial advisers in your area by visiting: **www.unbiased.co.uk**

Tax rules on pension savings

There are HM Revenue & Customs (HMRC) controls on the total amount of contributions you can make into all pension arrangements and receive tax relief. These are known as the lifetime allowance and the annual allowance.

Most people will be able to save as much as they want with full tax relief as their pension savings will be significantly less than the allowances. You can get more information about tax allowances for both the annual and lifetime allowance from the **Government website**.

Contact details

You can contact RBKC Pensions Team in any of the following ways:

In writing: RBKC Pensions Team,
3rd Floor, Green Zone,
The Town Hall, Hornton Street,
London, W8 7NX.

Phone: 020 7361 2323 (9am-5pm working days)

Email: pensions@rbkc.gov.uk

Pension fund website: www.rbkcpensionfund.org

National LGPS website: www.lgpsmember.org