

## Additional Pension factsheet

This factsheet is designed for the use of the Scottish NHS and Teachers' Pension Schemes and can be read in conjunction with the scheme member's guides

### Introduction

Additional Pension (AP) is an amount of extra pension that can be bought while you are in employment and is paid in addition to your scheme benefits when you retire. The opportunity to purchase AP is only available to active contributing members who are in good health, are not absent from work and have not reached their normal pension age (NPA). The cost of purchasing additional pension depends on various aspects such as your age, how much you wish to purchase and if you want to pay by a single payment or by regular deductions from your salary.

AP does not include an automatic lump sum but you can include your AP in the total pension that is given up, or commuted, to provide a bigger lump sum.

The option to purchase AP can cover either:

- an increase in pension for yourself only or
- dependants cover, which increases your own pension and the benefits that will be payable to your spouse, partner or dependent children after your death

**Important note:** If you have full protection, your normal pension age will be scheme pension age. However, if you move to, or join the 2015 scheme, your NPA is equal to your state pension age (SPA).

If you are unsure about your pension age you can find out more at:

- DWP SPA calculator for state pension age
- [www.2015.sppa.gov.uk](http://www.2015.sppa.gov.uk) for more information about your protection status

### How much can I purchase?

AP must be bought in multiples of £250. Therefore, the minimum amount available to purchase is £250. The maximum amount for each scheme is:

<b>Scheme</b>	<b>Maximum allowable</b>
NHS Superannuation Scheme (Scotland) 1995 and 2008 sections	£5,000
NHS Pension Scheme (Scotland) 2015	£6,750*
Scottish Teachers' Superannuation Scheme	£6,750*
Scottish Teachers' Pension Scheme 2015	£7,000*

\*these are index linked

Any changes to the maximum allowable will be published on our website. If you choose to take out more than one contract, we will take into account the value of

any other contract(s). This is to ensure that the maximum amount allowed is not exceeded.

If you have existing AP contract(s) you can continue to pay this when you move to the new 2015 scheme.

**Important note for AP contracts taken out in the 2015 scheme:** If you have elected to take out a NHS or Teachers Early Retirement Reduction Buy Out or Teachers Faster Accrual contract, the value of this contract will also be taken into account to ensure that the maximum extra pension allowed is not exceeded.

### **How much does it cost?**

The cost of your AP is calculated using a number of factors such as:

- your age at date of the election
- your NPA
- the amount you wish to purchase
- the way you pay for your AP (lump sum or regular contributions)
- whether the pension is just for you or for you and your dependants

There is a calculator on our website for you to prepare your own illustration of the costs of purchasing AP.

[NHS Calculators](#)

[Teachers Calculators](#)

### **How do I pay for it?**

You can choose to pay for AP by a one off lump sum or by regular contribution deductions taken from your salary.

#### **One off lump sum:**

- payment must be received by us within one month of receiving acceptance of your application
- if you are a supply teacher you may only purchase additional pension by a one off lump sum payment as you are not paid a regular salary
- To claim any tax relief against this purchase, please contact HMRC.

#### **Regular contribution deductions:**

- must be taken over whole years only, up to a maximum of 20 years, depending on your age
- payments are subject to tax relief through the PAYE system and will be reviewed after each scheme valuation, meaning they may increase or decrease depending on the outcome of the valuation

It is your responsibility to ensure that your employer is deducting the correct amount from your salary and, if you identify an error, you should contact them immediately. AP is index linked both before the AP comes into payment (a pre-payment increase) and also whilst it is being paid (an in payment increase). If the application to buy AP was made:

- on or before 31 March 2011 - it will attract pre-payment increases in line with the Retail Prices Index (RPI) and in payment increases in line with the Consumer Prices Index (CPI)
- on or after 1 April 2011 - both the pre-payment and the in payment increases will be in line with CPI

### Will buying AP affect the Annual Allowance limit?

If the growth in your benefits exceeds the Annual Allowance (AA), you may be subject to an AA charge. Given the potential tax consequences, you should seek advice from an Independent Financial Advisor if you're planning to make a lump sum payment to purchase additional pension. Please see HMRCs website for more information about AA.

Examples have been provided to provide you with an illustration of the costs of purchasing AP.

### NHS 1995 and 2008 section

NHS member age 30 who wants to increase his pension by £1,000 per year and to pay by regular contributions over 20 years.

	<b>NPA 60</b>	<b>NPA 65</b>
Cost at start of contract	£56.00 per month	£44.00 per month
Cost per year	£672.00	£528.00
Total amount payable	£13,440	£10,560.00

NHS member aged 45 who wishes to increase her pension by £500 per year to cover both herself and a dependant by a single payment

Total cost payable	£6,720	£5,340
--------------------	--------	--------

### NHS 2015 scheme

NHS member age 35 purchases additional pension of £250 per annum by regular contributions over 20 years (NPA is equal to state pension age of 68)

<b>Purchase of £250</b>	<b>Self only</b>	<b>Self and dependants</b>
Cost at start of contract	£11.00	£11.90
Cost per year	£132.00	£142.80
Total amount payable	£2,640.00	£2,856.00
One off lump sum cost	£1,650.00	£1,800.00

### Teachers' pre 1 April 2015

Teacher member age 30 who wants to increase his pension by £1,000 per year and to pay by regular contributions over 20 years		
	<b>NPA 60</b>	<b>NPA 65</b>
Cost at start of contract	£56.80 per month	£45.20 per month
Cost per year	£681.60	£542.40
Total amount payable	£13,632.00	£10,848.00
Teacher member aged 45 who wishes to increase her pension by £500 per year to cover both herself and a dependant by a single payment		
Total cost payable	£6,920.00	£5,520.00

### Teachers' 2015 scheme

Teacher member age 35 purchases additional pension of £250 per annum by regular contributions over 20 years (NPA is equal to state pension age of 68)		
<b>Purchase of £250</b>	<b>Self only</b>	<b>Self and dependants</b>
Cost at start of contract	£11.10	£12.10
Cost per year	£133.20	£145.20
Total amount payable	£2,664.00	£2,904.00
One off lump sum cost	£1,690.00	£1,840.00

### How to apply

You can start the process of applying for AP by completing the initial form below from our website.

[NHS APBPRES Form](#)

[STSS APBPRES Form](#)

When we receive your completed form, we will send you a quote detailing the cost to purchase AP and you can then decide if you wish to take out an additional pension contract.

Alternatively, If you have registered with our My Pension online member services, you can access an additional pension calculator and complete the initial quote application online.

### Benefits payable on retirement

There are circumstances which affect the amount of AP payable to you. For example, if you choose to retire on Phased or Partial retirement you will be given the option take your AP either at that time or when you decide to fully retire.

If you continue to work beyond your NPA your AP will be increased to reflect the later than expected payment.

## **Leaving early/Ceasing contributions**

If you retire before your NPA and choose to receive your pensions, your AP will be reduced as it is being paid to you earlier than originally expected. If you were paying for your AP by monthly instalments, your benefits may be reduced further as you will not have completed your expected contract.

### **Teachers**

If you leave the scheme or choose to opt out you cannot continue to pay for AP. You will be given the option to purchase the remaining credit by lump sum payment. If you chose not to you will be credited with the amount of AP purchased to that point. Teachers cannot recommence an election once it has been revoked for one month.

### **NHS**

NHS members who return to NHS employment within 12 months and have not had a refund of scheme contributions may restart payments on the original terms. If the break in employment is more than 12 months or you have had a refund, the agreement will be terminated and you will be credited with the proportion of AP that you have paid for.

You may revoke your election at any time and a proportion of the benefits will be credited to you.

### **Ill health benefits**

If you retire on Ill health grounds you will receive your AP without any reduction as long as you had been paying for at least 12 months and were in good health at the time your contract commenced. If you had been paying for less than 12 months, your contributions will be refunded to you.

### **Benefits payable on death**

In the event of your death, if you have been paying AP contributions for at least 12 months and have elected to buy benefits for your dependants, they will receive a pension. In the NHS, the dependants pension is equal to 37.5% of what you would have received, in the Teachers' schemes, the dependants pension is equal to 50% of what you would have received. The dependants pension will be paid in full, even if you have not completed all the payments, as long as you were in good health when your election commenced. If you did not choose to pay for your dependants no pension will be paid to them.

### **Employer purchase**

Employers may purchase AP for members. There are different rules for employers and further information is available from SPPA.

If you take out an AP contract, you should ensure that your employer deducts the payments until the contract expires and should also ensure that we are notified of any changes.

## **Alternative ways to increase retirement benefits**

There are other ways in which you can increase the benefits payable to retirement.

- Additional Voluntary Contributions (AVCs)
- Free Standing Additional Voluntary Contributions (FSAVCs)
- paying into a Stakeholder or Personal Pension
- buying increased Life Insurance (NHS members only)

## **Taking out an AVC contract**

An AVC account is a separate way of increasing retirement benefits. Your contributions to this type of saving are invested on a tax free basis to build up a cash fund. When you choose to take the fund it is normally used to buy an annuity (an AP for yourself or for your dependants). The fund can be taken when you retire or later if you wish.

Teachers' schemes have special arrangements with the Prudential for members of the scheme. Further details are available from [www.pru.co.uk/teachers](http://www.pru.co.uk/teachers)

The NHS has preferential terms for scheme members with Standard Life Assurance Society, Group Pension AVC, Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.

## **Taking out an FSAVC contract**

Alternatively, you can take out an AVC with a provider of your choice. FSAVCs are not connected to the scheme in any way. They are available from banks or insurance companies and work in a similar way to AVCs

## **Stakeholder and personal pensions**

Scheme members can also contribute to a stakeholder or personal pension. These can be arranged through a provider of your choice.

Buying increased life assurance (NHS scheme members only)

You should seek independent financial advice before taking out an AVC, FSAVC or stakeholder/personal pension contract as investment funds are linked to share prices and their value may rise and fall.

## **Restrictions and Limits**

To take out an AP contract you must be in pensionable employment and can only take out a contract up to your NPA. You cannot purchase AP after age 65.

The UK Government have made changes to the Annual Allowance (AA) and the Lifetime Allowance (LTA) for pension savings.

The AA is the limit on how much tax free pension savings you can make in any one year. If your pension savings in any one year are over the AA, you may have to pay extra income tax.

All your pension savings including AP savings count towards these limits.

The LTA is the overall amount of pension savings that you can have at retirement without incurring a tax charge.

To see if this affects you, please refer to the Taxation pages on our website.

### **Recycling of lump sums**

HMRC will not allow you to withdraw a tax free lump sum and receive further tax relief by reinvesting the money back into a registered pension scheme. This is known as recycling lump sums. It could apply to you if your money is reinvested as a lump sum or in monthly payments.

It is possible that you could be affected by this rule if you retire within two years of making an election to buy additional benefits. If you think you could be affected you should discuss your plans with a financial adviser before proceeding.

### **Questions**

If you are unclear about any aspect of this factsheet or have any further questions, please refer to the website for details of how to contact us.

This information is correct at time of publication but it does not give a complete legally binding statement of the law or regulations which govern the scheme.