

Local Government Pension Scheme (LGPS)

Purchasing Additional Pension

Paying Additional Pension Contributions (APCs)

This APC pack supplements the information in the Cheshire Pension Fund scheme booklet and that on the Pension Fund's website (www.cheshirepensionfund.org), both of which provide details on ways of increasing your pension benefits.

The Local Government Pension Scheme (LGPS) is a Defined Benefit Career Average Revalued Earnings pension scheme which provides a wide range of benefits. Few members though can expect to receive the maximum benefits and may want to consider paying extra contributions to top up their income in retirement.

How can I increase my Local Government Pension?

You can buy extra annual pension, up to a set maximum (the threshold will increase on the 1st April each year). The additional pension you buy is credited to your pension account at the end of each scheme year (31st March). The additional pension will be increased together with your main scheme benefits and in line with inflation after retirement.

You can also convert some of the additional pension you buy into a lump sum, subject to the usual tax limits that apply to your benefits at retirement.

How much does it cost?

To buy this additional pension you can either pay an additional contribution from your pay or make a lump sum payment. The cost is calculated using factors based on your age at the date you begin the purchase, your gender, the amount you wish to purchase and the length of time you wish to make your purchase over. Please note that you are not able to purchase an additional dependants' benefit.

You can specify how long, in years, you wish to make your purchase over, but you can only pay up to the end of the year before your Normal Pension Age (State Pension Age or 65 if this is later).

Please contact us for a personal quote.

How do I pay the contributions?

Your employer will deduct your contribution directly from your pay, and if you are a taxpayer you will automatically receive tax relief on your contributions. You may be able to make a lump sum payment directly from your pay but if you make it by alternative means you will have to apply directly to HMRC to claim tax relief. The contribution will be taken on the next available pay day following the date of election, and you will be asked to certify that you are in good health, with no pre-existing medical conditions.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

If your pay reduces below the level of your chosen contribution amount, the contract will automatically cease. Please remember to check your pay details once the contract has started to make sure that the contributions are being deducted. You should contact your Payroll Department if you notice that APC deductions are not being taken from your pay for any reason.

What happens if I go on approved leave of absence?

You must continue to pay the additional contributions during your leave of absence regardless of whether it is paid or unpaid leave.

What happens if I reduce my hours?

You will continue to pay the same monthly contribution as you did when your contribution started.

Can I stop paying?

Yes, you can stop the additional contributions at any time; however the additional pension you agreed to buy will be reduced from the original contract amount. If you do want to stop paying for any reason you must notify both your employer and Cheshire Pension Fund in writing. The pension you have purchased that scheme year will be added to your total.

What if I leave or retire before the contract ends?

If you retire on ill-health grounds with a Tier 1 or 2 pension you will be credited with the full amount of pension you have elected to purchase as if the contract had been completed. If you leave for any other reason and you have not finished the contract you will be credited with the additional pension you have actually paid for at the date you leave. This will, clearly, be less than the original contract amount.

If you leave the scheme with less than two years service and take payment of a refund the contributions paid to allow additional pension to count will be refunded to you also.

Please note the cost factors used to buy an additional pension assume you will retire at your Normal Pension Age (NPA). If you retire at an earlier age your additional pension is reduced to take the earlier payment date into account. This will apply even if your main scheme benefits are not reduced because you have retired on redundancy or efficiency grounds or you are a protected member who meets the "85 year rule". If a reduction is applied to your main scheme benefits, this will not affect your dependants' benefits.

How is the additional pension purchased increased?

At the beginning of each scheme year the pension credited into your account from your APC will be increased together with the main pension accrued.

When you retire and receive your additional pension, it is increased each April, with your main scheme pension. These increases are set by the Pension Increase Orders (PI), which are in line with the Consumer Price Index.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE

Other points to note

- Generally, the cost of an APC is set at the beginning of the contract and the contributions are deducted at the same amount each month. The cost can be changed under certain circumstances however (see below*)
- Additional pension purchased can count towards your death grant as follows:
 - If you die with a deferred benefit, a death grant of 5 times the value of the additional pension you paid is payable.
 - If you die on pension, have received less than 10 years pension and you are under age 75 at the date of death, a death grant of 10 times the rate of pension (adjusted if you have increased your lump sum) less any pension already paid.
 - If you die as an active member of the scheme, a death grant of 3 times pay is payable.

If you would like a quote on the cost of buying additional pension, please visit our website or contact us on 01244 976000.

*Contribution rates are reviewed periodically by the Government Actuaries Department and are subject to change. Any future changes to the rates will apply from the 1st April following the amendment, and will apply to all APC contracts that still have contributions outstanding at the time of change which continue past that date.

Disclaimer

Every care has been taken in the production of this document however readers may wish, or will need to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility will be assumed by the Cheshire 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 information contained herein. In the event of any dispute over your pension benefits the appropriate legislation will prevail. This guide does not confer any contractual or statutory rights and is provided for information purposes only.

If you require any further information, please contact us using the details below.

t: 01244 976000 e: pensions@cheshirewestandchester.gov.uk w: www.cheshirepensionfund.org

a: Cheshire Pension Fund, Cheshire West and Chester Council, Council Offices, 4 Civic Way, Ellesmere Port, CH65 0BE