

BUYING ADDITIONAL PENSION

With effect from April 2008 there are 3 options available to purchase additional benefits as a member of the Local Government Pension Scheme.

OPTION 1 – Buying additional pension for scheme member only, there are **no** dependants benefits with this option. (see below for details)

OPTION 2 – Buying additional pension for scheme member and dependants benefits when the scheme member dies. (see below for details)

OPTION 3 – Buying additional benefits in an In-House Additional Voluntary Contributions (AVC) scheme with Prudential. (see enclosed leaflet for details)

HOW MUCH ADDITIONAL PENSION CAN BE PURCHASED UNDER OPTION 1 AND 2?

A scheme member can pay an additional monthly contribution to buy themselves extra pension payable on top of their normal retirement pension when they come to receive payment of their benefits from the Local Government Pension Scheme.

The amount of pension they can buy must be in multiples of £250 up to a maximum of £5,000. i.e. you can buy an extra £250, £500, £750 etc which will be payable in addition to their normal pension. The £5000 maximum limit goes up each April in line with cost of living increases.

OPTION 1 Buying additional pension for Scheme Member only

HOW MUCH WILL IT COST A SCHEME MEMBER TO BUY THEMSELVES ADDITIONAL PENSION?

The attached tables provide details of the additional monthly contribution it will cost to purchase the extra pension you wish to buy for yourself. Look at the first set of tables and choose the monthly cost by finding your age now and then the number of years you wish to pay the additional contributions over, you then need to calculate the total cost for the total amount of pension you wish to purchase.

The additional payments will remain the same each month unless the Government Actuaries Department decides to revise the rates shown on the attached tables.

These additional contributions attract tax relief in the same way as your normal pension contributions do.

There are different tables for Males (Table C) and Females (Table D) so ensure you look at the correct tables when making your calculations.

see following examples:

EXAMPLE 1

Male member who will be 46 when starts making additional contributions and wishes to purchase £1000 additional pension per annum for himself only with payments made over 10 years:

$\text{£1000 (Additional pension you wish to buy)} \div 250 \times \text{£27.26 p.m. (Table amount)} = \text{£109.04}$ additional pension contributions to be paid each month for 10 years.

(Monthly amounts in table are to provide £250 additional pension per annum at retirement age)

EXAMPLE 2

Female member who will be 53 when starts making additional contributions and wishes to purchase £2250 additional pension per annum for herself with payments made over 7 years:

$\text{£2250 (Additional pension you wish to buy)} \div 250 \times \text{£50.86 p.m. (Table amount)} = \text{£457.74}$ additional pension contributions to be paid each month for 7 years.

(Monthly amounts in table are to provide £250 additional pension per annum at retirement age)

CAN A SCHEME MEMBER STOP PAYING THE ADDITIONAL MONTHLY AMOUNT?

If a scheme member chooses to stop contributing before the end of the payment period the additional pension will be reduced pro-rata. The additional pension awarded is the additional pension originally applied for, multiplied by the number of monthly contributions actually made divided by the number of monthly contributions that would have been paid had the contributions continued to the end of the contract.

A member who leaves service will stop making contributions for additional pension. An active member may stop contributing for additional pension if he or she notifies the administering authority in writing.

WHAT HAPPENS IF THE SCHEME MEMBER RETIRES EARLY DUE TO ILL-HEALTH?

If the member qualifies for an ill health pension (Tier 1 or 2 only) but has not completed the purchase of additional pension, the outstanding contributions will be deemed to have been paid and full additional pension will become payable. No actuarial reduction will apply in these circumstances.

If the member qualifies for a Tier 3 ill-health pension (assessed as being able to obtain 'gainful' employment within 3 years of leaving) then the additional pension will **not** be deemed to have been paid but will be reduced pro-rata.

WILL THE ADDITIONAL PENSION BE PAID IN FULL ON RETIREMENT?

On early retirement (before age 65) an actuarial reduction will apply to the additional pension to allow for early payment. This reduction applies even if your main Scheme benefits are payable unreduced.

If you leave before your contracted payments for additional pension have been completed, then your additional pension will be reduced pro-rata.

On late retirement after age 65, an increase will be applied to the additional pension.

CAN SOME OF THE ADDITIONAL PENSION BE COMMUTED TO PROVIDE A LUMP SUM?

In all cases, the additional pension awarded may be commuted for cash when it comes into payment under the same terms as the rest of the pension.

WHAT HAPPENS TO THE ADDITIONAL PENSION WHEN THE SCHEME MEMBER DIES?

If the scheme member dies as a deferred beneficiary a lump sum of five times the additional pension is payable.

If the scheme member dies in retirement, a lump sum is payable equal to ten times the annual rate of additional pension in payment before death, less the amount of additional pension already paid.

No additional pension benefit is payable if the member dies in service.

DOES THE ADDITIONAL PENSION INCREASE IN VALUE?

The rate of additional pension is increased with reference to cost of living increases from the date of the first contribution to the date of award of benefits. Once in payment, the additional pension continues to be increased with reference to cost of living increases.

OPTION 2 Buying additional pension for Scheme Member and dependants

CAN ADDITIONAL PENSION BE BOUGHT FOR SCHEME MEMBER AND THEIR DEPENDANTS?

A scheme member can buy additional pension for himself or herself and their dependants. On death in service, death in deferment or death as a pensioner, an additional dependants' pension is payable to an eligible spouse, civil partner or nominated cohabiting partner. A pension is also payable to eligible children.

All the conditions previously mentioned in OPTION 1, also apply to scheme members additional pension bought under this option.

The information given below concerns the benefits payable to the scheme members dependants if OPTION 2 is chosen.

WHAT PENSION WILL THE SCHEME MEMBER'S DEPENDANTS RECEIVE IN THE EVENT OF DEATH?

The additional spouse, civil partner or nominated cohabiting partner's pension is 37.5% of the rate of additional pension purchased.

The child's additional pension is 18.75% of the member's additional pension if there is one eligible child. If there are two or more eligible children then the total children's pension awarded is 37.5% of the member's additional pension and is shared equally between the eligible children.

If there is no pension paid to an eligible spouse, civil partner or nominated cohabiting partner, then the additional child's pension is 25% of the member's additional pension if there is one eligible child. If there are two or more children then the total additional pension awarded is 50% of the member's pension and is shared equally between the eligible children.

WHAT OTHER CONDITIONS APPLY?

On the death of a pensioner who commuted additional pension at retirement for cash, the calculation is based on the member's additional pension that would have been in payment if the member had not commuted additional pension.

On the death of a pensioner who had their additional pension actuarially reduced due to payment before normal retirement age, the calculation is based on the member's additional pension that would have been paid without the early retirement reduction.

On the death of a pensioner who had their additional pension actuarially increased due to payment after normal retirement age, the calculation is based on the member's additional pension excluding the late retirement increase.

On the death of a member who had not completed all the required contributions, the additional pension will be reduced pro-rata. The additional pension awarded is the additional pension that would have been awarded if all the contributions had been paid multiplied by the number of monthly contributions actually made divided by the number of monthly contributions that would have been paid had the contributions continued to the end of the contract.

The exceptions to the paragraph above are that no reduction is applied when the member ceased contributing due to death in service or being awarded an ill health pension.

HOW MUCH WILL IT COST A SCHEME MEMBER TO BUY ADDITIONAL PENSION FOR THEMSELVES AND THEIR DEPENDANTS?

The attached tables provide details of the additional monthly contribution it will cost to purchase the extra pension you wish to buy for yourself and your dependants. Look at the second set of tables and choose the monthly cost by finding your age now and then the number of years you wish to pay the additional contributions over, you then need to calculate the cost for the total amount of pension you wish to purchase, see examples below:

EXAMPLE 3

Male member who will be 30 when starts making additional contributions and wishes to purchase £1000 additional pension per annum for himself PLUS additional dependants pension with payments made over 20 years:

£1000 (Additional pension you wish to buy) ÷ 250 x £11.17 p.m. (Table amount) = **£44.68** additional pension contributions to be paid each month for 20 years

(Monthly amounts in table are to provide £250 additional pension per annum at retirement age for member PLUS dependant's benefits as detailed in the information given above payable on the death of the member)

EXAMPLE 4

Female member who will be 48 when starts making additional contributions and wishes to purchase £3500 additional pension per annum for herself PLUS additional dependants pension with payments made over 15 years:

£3500 (Additional pension you wish to buy) ÷ 250 x £26.95 p.m. (Table amount) = **£377.30** additional pension contributions to be paid each month for 15 years

(Monthly amounts in table are to provide £250 additional pension per annum at retirement age for member PLUS dependant's benefits as detailed in the information given above payable on the death of the member)

DOES THE DEPENDANTS ADDITIONAL PENSION INCREASE IN VALUE?

The rate of the dependant's additional pension is increased before it comes into payment with reference to cost of living increases as for a member's pension. Once in payment, the dependants' additional pension continues to be increased with reference to cost of living increases.

WHAT IF THE SCHEME MEMBER DIES AND LEAVES NO DEPENDANTS?

No dependants benefits are payable if you leave no dependants when you die.

TABLES

Please find attached tables for you to calculate how much it will cost you each month to purchase additional pension for you or you and your dependants. There are different tables for males (Tables C & E) and females (Tables D & F).

ELECTION TO PAY ADDITIONAL CONTRIBUTIONS

Please find attached an election form which needs to be completed and returned to:

Devon Pension Services
Estuary House
Peninsula Park
Rydon Lane, EXETER, EX2 7XB

A medical form is also attached which needs to be completed by your doctor and returned with the election form. Any fee incurred for completion of this form must be borne by yourself.

Once your application has been processed and your employer is informed, a letter will be sent to you confirming the month in which the first additional contribution will be deducted from your pay and how much that will be.

Contact Information for Devon Pension Services:

Tel. No: 01392 688219
Email address: pensions@devon.gov.uk
Webpages: <http://www.devon.gov.uk/pensions>

Information

Please note that nothing in this fact sheet can overrule the Local Government Pension Scheme Regulations (as amended)

Please note Devon Pension Service cannot give advice and it is suggested that you contact an Independent Financial Advisor if you need help in making your decision.