

## Additional Pension Purchase – FAQ's

Q. What is Additional Pension (AP)?

A. Additional Pension (AP) has replaced the Added Years facility, which is now closed to most members. It provides contributing members with an opportunity to increase their Scheme pension by paying additional contributions. It is a flexible arrangement, which at the outset clearly sets out both how much, in current pension terms, the purchase is worth and how much it will cost.

The Scheme Guide for members contains more information.

Q. Can everyone buy AP?

A. Yes, provided you are:

- A contributing member; and
- In good health and not absent from work for any reason; and
- Have not yet reached age 65.

Q. I am receiving my pension / I have deferred benefits. Can I buy AP?

A. No, only active members who are currently contributing to the Scheme can buy AP.

Q. How much AP can I buy?

A. AP is bought in units of £250.00 annual pension, from a minimum of £250.00 up to a career maximum of £5,000 for members of the 1995/2008 sections of the scheme and £6,500 for 2015 scheme members.

Q. I am already purchasing added years, can I also purchase additional pension?

A. Yes, existing contracts will be honored and you will be able to purchase additional pension as well, paying contributions up to 100% of your taxable pay.

Q. How much does AP cost?

A. The cost varies depending on a number of factors including:

- Your age when you start buying AP;
- Your gender;
- When you plan to retire and draw the additional pension;
- The type of cover you buy;
- How much AP you buy.

HSC Pension Service will provide an estimate of the costs to help you to make a decision based upon your own retirement plans.

Q. Why is the cost different for men and women?

A. Statistics show that women often live longer in retirement than men. AP costs more for women to meet the anticipated cost of paying the pension for longer.

Q. Will AP increase any pension payable to my spouse, partner or children after my death?

A. Not automatically. You can choose to buy either.

- Personal cover – to increase your own pension only; or
- Personal plus dependants cover – to increase your own pension and any pensions paid to your spouse, partner or dependent children when you die.

Q. Will AP increase my retirement lump sum?

A. No, but if you choose to give up some of your pension to provide a lump sum you can include your AP in the pension you give up. The Scheme Guide for members has more information about giving up pension.

Q. How do I pay for AP?

A. You will normally have the choice of paying the full cost immediately by a single lump sum payment or having instalments deducted from your pay. Instalments are spread over a number of years of your choice, from a minimum of 1 year usually up to a maximum of 20 years.

**Q. Will I pay the same amount every month?**

- A. Usually yes, but instalment purchases are subject to review based on advice from the Scheme Actuary. Reviews take place every four years and may change the cost of future instalments of an existing arrangement.

If the cost of future instalments increases as a result of a review you will have the option to end your purchase. You would then be credited with the proportion of AP that you have paid for.

**Q. Will I get tax relief on my AP contributions?**

- A. We cannot advise you about your personal tax position but members of a registered pension scheme, like the HSC Pension Scheme, can normally contribute up to 100% of their salary and claim tax relief. The Scheme Guide for members contains more information about limits on contributions and benefits.

When paying for AP by instalments tax relief is usually received through the PAYE system. If you pay by lump sum you will need to contact your local tax office or complete a self-assessment tax return to claim the tax back.

It should be noted that HM Revenue and Customs will now 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” and could apply if the 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 2 years of making an election to buy additional benefits. If you think you could be affected discuss your plans with a professional financial adviser before proceeding.

**Q. What happens if I have a short break in employment or leave the HSC?**

- A. If you have short breaks in HSC employment of less than 12 months e.g. when changing jobs, you will be given the opportunity to continue your agreement but you will need to make up any missing instalments. If this happens tell your new employer about your AP purchase and make arrangements to pay the outstanding instalments.

Q. When is AP paid?

A. AP is paid at the same time as your main HSC pension. If you are a member of the HSC Pension Scheme (1995 Section) you can choose to have it paid in full at either age 60 or 65. In the 2008 Section of the HSC Pension Scheme it can only be paid in full from age 65. In the 2015 scheme it can be paid in full from your SPA. If you voluntarily retire early your AP will be reduced in line with your main scheme benefits.

Q. I am taking partial retirement from the 2008 Section/ 2015 Scheme; can I take part of my AP?

A. No, you can either take all the AP now, or leave it all until your final retirement.

Q. I am a member of the “special classes” and my normal retirement age (NRA) is 55. Can I buy AP for payment at age 55?

A. No, the cost of buying AP is based on the benefit becoming payable on or after the standard scheme retirement age, but not before. Members of the special classes must therefore choose whether to have their AP paid at age 60 or 65.

Q. If I have a normal retirement age of 55 (and retire then) can I delay claiming my AP until I am 60?

A. No, AP is payable with your main HSC pension, it cannot be delayed.

Q. What if I decide to retire before my chosen age of 60 or 65?

A. If you decide to take retirement before your chosen age the AP will become payable. If you have paid all the contributions due we will reduce the AP to take account of its early payment. If the contributions are not complete we will first calculate the proportion of the AP you have paid for and then apply the reduction for early payment.

Q. What if I have not paid all the contributions?

A. If you are retiring on or after the chosen age you will be credited with the appropriate proportion of AP you have paid for. For retirement before the chosen age the appropriate proportion will be reduced for early payment.

Q. What if my pension is paid early because I am made redundant or my employment is terminated?

A. If you have paid all the contributions due we will reduce the AP to take account of its early payment. If the contributions are not complete we will first calculate the proportion of the AP you have paid for and then apply the reduction for early payment.

Q. What happens if I die or retire early because of ill health?

A. If it is less than 12 months since your employer received your application to buy AP we will return the additional contributions to you or on your death to your personal representatives. If your employer bought the AP for you the money will be returned to them.

If it is more than 12 months you will be credited with the AP amount and all future additional contributions will be waived. If you die, this will only have effect if you have taken AP with dependants cover. Without dependants cover there is no increase to the long-term dependants benefit payable on your death.

With cover for dependant's each £250 unit of AP also increases your partner's survivor pension by £93.75 a year. In the case of child allowance the increase is distributed according to the rules of that benefit.

Q. Is AP index linked?

A. Yes, AP units are revalued in line with inflation both before and after they come into payment.

Q. Is AP subject to Income Tax?

A. The HSC pension and any Additional Pensions you buy, are taxable income. Income tax is deducted from the Pensions before they are paid.

Q. How do I apply to buy AP?

A. There are application forms (AP1 and AP2) available on this website.

Before applying think carefully about your retirement plans and work out how much AP you want to buy. If you have difficulties completing or printing the application form ask your employer to help you.

Do not delay your application because the cost may be affected.