

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 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:

Scheme	Maximum allowable
NHS Superannuation Scheme (Scotland) 1995 and 2008 sections	£5,000
NHS Pension Scheme (Scotland) 2015	£6,500*
Scottish Teachers' Superannuation Scheme	£6,300*
Scottish Teachers' Pension Scheme 2015	£6,500*

*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

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

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.

Will buying AP affect the Annual Allowance limit?

If the growth in your benefits exceeds the Annual Allowance, you may be subject to an Annual Allowance 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 Annual Allowance.

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.		
	NPA 60	NPA 65
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)		
Purchase of £250	Self only	Self and dependants
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		
	NPA 60	NPA 65
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)		
Purchase of £250	Self only	Self and dependants
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