

# Increasing Your Retirement Benefits

This guide describes how you can increase your retirement benefits and applies to individuals who were contributing members of the Scheme on 1 April 2015 or who have since joined. It is for general use and cannot cover every personal circumstance, nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute as to benefits due under the Scheme the appropriate legislation will prevail. This Guide does not confer any contractual or statutory rights and is provided for information purposes only.

## Contents

Introduction .....	2
Additional Pension Contributions (APCs).....	2
Additional Voluntary Contributions (AVCs).....	7
Contributing to Free Standing Additional Voluntary Contributions (FSAVCs) or contributing to a concurrent Personal Pension Plan or Stakeholder Pension Scheme .....	10
Historical methods of buying extra Scheme pension.....	10
Can my employer award me additional pension benefits?.....	11
Tax Rules on Pension Savings .....	12
Data Protection.....	14
Further Information.....	14

## **Introduction**

This leaflet explains how, as a member of the Local Government Pension Scheme (Northern Ireland), you can increase your pension benefits.

You can increase your pension benefits by any of the methods listed below:

- Additional Pension Contributions (APCs)
- Additional Voluntary Contributions (AVCs) to the AVC scheme
- Contributing to Free Standing Additional Voluntary Contributions (FSAVCs) or a concurrent Stakeholder or Personal Pension Plan
- Additional Regular Contributions (ARCs) - this option is only available if you started a contract before 1 April 2015
- Purchase of Added Years – this option is only available if you started a contract before 1 April 2009

You can combine any of these options which are available to you, all of which are described in more detail in this booklet. A section on tax rules on pension savings is also included as there are restrictions on the amount of savings you can make with tax relief.

## **Additional Pension Contributions (APCs)**

You can pay additional pension contributions to:

- boost your pension on retirement
- cover pension 'lost' due to authorised unpaid leave
- cover pension 'lost' due to industrial action

Any additional pension that you buy is payable each year in retirement and is paid on top of your Scheme benefits. You can only buy additional pension to increase your own benefits - buying additional pension does not increase the benefits of any survivors.

If you are buying additional pension to boost your pension benefits you must complete a Good Health Medical. More information is available on page 4 of this booklet.

## **How much additional pension can I buy?**

You can buy total additional pension of up to £8,675 per year (2024/25 figures). This figure includes the amount of any ARCs being purchased under the 2009 regulations. This figure will be reviewed in April each year.

## **How much does additional pension cost?**

You can pay for additional pension either by regular contributions or by lump sum. The cost depends on:

- your age on the date the lump sum is paid or the contributions start
- the period over which you wish to pay
- your normal pension age

If you decide to pay by regular contributions the contract must be for at least one full year or a number of full years. NILGOSC may impose a minimum amount for regular contributions.

You cannot start to buy additional pension by regular contributions if you are within one year of your normal pension age. However, you could still pay by lump sum.

You can calculate the cost of buying additional pension using the APC calculator on the members' section of our website at [www.nilgosc.org.uk](http://www.nilgosc.org.uk) This calculator allows you to consider the cost over various payment periods.

## **Shared Cost Additional Pension Contributions (SCAPCs)**

Your employer may choose to contribute towards the cost when you are buying additional pension to increase your benefits. This is known as a Shared Cost Additional Pension Contribution (SCAPC) contract. This is an employer discretion and you can ask your employer about its policy on Shared Cost APCs.

## **Covering pension 'lost' due to authorised unpaid leave**

If you are off work with permission and are receiving reduced or no pay e.g. a few days of unpaid leave or a career break, you and your employer must pay pension contributions for absences of less than 30 days. If your absence is for more than 30 days no contributions are payable.

If you are buying additional pension to cover pension 'lost' due to authorised unpaid leave, your employer must cover 2/3rd of the cost if you choose to take out an APC contract within 30 days of returning to work or such longer period as your employer may allow. Your employer will only cover a maximum period of up to 36 months. Your employer may not contribute towards the cost if you make an election later than 30 days after returning to work or such longer period as the employer may allow.

The amount of 'lost' pension that you can buy is calculated as:

### **If you were in the main section**

$1/49\text{th} \times \text{lost pensionable pay} \times \text{period of absence}$

**Or**

### **If you were in the 50/50 section**

1/98th x lost pensionable pay x period of absence

### **Buying pension 'lost' due to industrial action**

Absence from work due to industrial action will not count towards your pension unless you elect to pay Additional Pension Contributions to cover that period.

The amount of 'lost' pension that you can buy is calculated as:

#### **If you were in the main section**

1/49th x lost pensionable pay x period of absence

**Or**

#### **If you were in the 50/50 section**

1/98th x lost pensionable pay x period of absence

The cost of buying this 'lost' pension is paid fully by you.

There is no time limit on deciding to buy pension that was 'lost' due to industrial action i.e. the 30 day limit to make an election no longer applies.

### **How do I apply to buy additional pension?**

Once you have decided what you want to purchase, having used the APC calculator on our website, you should either print off or download the APC application form (LGS27A or LGS27B). If you are buying 'lost' pension you will need to contact your employer first so they can tell you the amount of lost pensionable pay.

#### **If you are buying additional pension:**

You should complete and forward the application form (LGS27A) to NILGOSC along with your payment for a Good Health Medical. The current fees for a Good Health Medical and the APC application form are available on the 'Boosting your Pension' section of our website at [www.nilgosc.org.uk](http://www.nilgosc.org.uk) or by telephoning NILGOSC on 0345 3197 325.

We will arrange your medical appointment when we receive your application form and payment for the medical. If you pass the Good Health Medical we will write to you and your employer to confirm the additional monthly deductions to be taken from your pay and the period over which you will be paying, or the lump sum amount if you are making a one-off payment.

You can make a one-off payment either via your pay or directly to NILGOSC. If you make payment directly to NILGOSC you will need to reclaim any tax relief directly with HM Revenue and Customs (HMRC).

### **If you are covering pension 'lost' due to authorised unpaid leave or industrial action:**

You should complete and forward the application form (LGS27B) to your employer who will complete their section of the form and forward it on to NILGOSC.

On receipt of the completed application form NILGOSC will advise both you and your employer of the additional monthly deductions to be taken from your pay and the period over which you will be paying, or the lump sum amount if you are making a one-off payment.

You can make a one-off payment either via your pay or directly to NILGOSC. If you make payment directly to NILGOSC you will need to reclaim any tax relief directly with HM Revenue and Customs (HMRC).

### **Why do I have to have a medical and who pays for it?**

If you are buying additional pension to boost your pension benefits you must complete a Good Health Medical. This is because, if you retire due to ill-health your additional pension will be treated as if it had been paid in full. Therefore, NILGOSC needs to know that you are in good health and unlikely to retire on ill-health grounds before it will agree to your purchase of additional pension. You must pay the cost of the Good Health medical.

You do not have to have a Good Health medical if you are buying additional pension to cover 'lost' pension due to authorised unpaid leave or industrial action.

### **How does my additional pension build up?**

At the end of every Scheme year the additional pension that you have bought in that year is added to your pension account. The value of the pension in your pension account is revalued each year to keep up with the cost of living. Once in payment the additional pension will get the same revaluation as the rest of your pension and go up in line with Pensions Increase Orders each year.

### **When is my additional pension paid?**

The additional pension is paid at the same time as you receive your main Scheme benefits.

If you retire early and draw your benefits before your Normal Pension Age, or you are retired on redundancy or business efficiency grounds before your Normal Pension Age the additional pension that you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement you can, if you wish, also draw the additional pension you have paid for, although it will be reduced for early payment. If you do so, your APC contract will cease, although you can take out a new one.

If you are awarded ill-health retirement, the remaining amount of any APC or SCAPC contract you are paying is deemed to have been paid in full and is paid along with your main Scheme benefits.

If you draw your pension after your Normal Pension Age, your additional pension will be increased as it is being paid later.

On retirement you can exchange some of the additional pension for tax-free cash in the same way as your main Scheme pension.

When you die, no extra benefits from your APC contract will be payable as it was only a contract to provide additional pension for you.

### **What if I stop contributing before the end of the payment period?**

If you stop contributing or leave or retire before the end of the payment period, you will receive a pension based on the contributions made up to that point. If you retire early on ill- health grounds, the contract is deemed to have been paid in full.

### **What if I am on unpaid leave?**

If you are on unpaid leave or child- related leave you must continue to make the contributions to buy your additional pension.

### **Could the monthly payments change?**

Your monthly payments may change in the future. The actuary may change the rates or the government could change the method of increase.

These changes would affect both new applicants and members who are already buying additional pension. These changes will normally apply from 1 April following the change and we will let you know about the change beforehand.

### **If I choose to buy additional pension now, can I buy more at a later date?**

Yes, as long as the total amount does not exceed £8,675 per year (2024/25 limits). It should be remembered that the cost of any later purchases of additional pension will depend on your age at that time.

### **Can I give up some additional pension at retirement to buy additional lump sum?**

Yes, it is possible to give up additional pension at retirement to provide extra lump sum, subject to tax limits.

### **Will purchasing additional pension change my 85 year rule date?**

No. Purchases of additional pension have no effect on your 85 year rule date. This date is the earliest age that some members with 85 year rule protections can draw unreduced pension benefits.

## **Additional Voluntary Contributions (AVCs)**

You can pay AVCs to top up your own pension and your dependants' pensions or to provide additional life cover. In this case you can invest money, deducted directly from your pay, with the in-house AVC provider, Prudential. Any AVCs which you pay are invested separately in funds managed by the AVC provider. You have your own personal account which, over time, builds up with your contributions and the returns on your investment.

Equitable Life is also an in-house AVC provider but is no longer available for new contributors.

It should be noted that these AVC investments depend on the contributions paid, the performance of the investments and on interest rates at retirement. There is no guarantee that any particular level of AVC benefit will be available at retirement and NILGOSC cannot provide advice in relation to AVC investments.

You can contribute up to 100% of your pensionable pay per pay period into the AVC arrangement, subject to any deductions by your employer. AVCs are deducted directly from your pay and tax relief (at your highest rate) is automatically given through payroll.

This means that tax is calculated on your pay after your Scheme and AVC contributions have been deducted.

From June 2022 you will be required to either take guidance from Pension Wise or formally opt out of such guidance before you can either take or transfer your AVC.

When you retire you may use your AVC fund in the following ways:

- buy an annuity (yearly pension)
- buy additional Scheme pension
- take your AVCs as cash
- transfer your AVC fund to another pension scheme or arrangement

You can also pay into AVCs to provide additional life cover. The Scheme provides cover of three times your Assumed Pensionable Pay if you die in service, but you can pay AVCs to increase this. Any extra cover paid for through AVCs will stop when you leave or retire. Further information is available on request.

### **Buying an annuity (yearly pension)**

This is where an insurance company, bank or building society of your choice takes your AVC fund and pays you a yearly pension in return.

You must do this at the same time as you draw your Scheme benefits. An annuity is paid completely separately from your Scheme benefits.

The amount of an annuity depends on several factors such as your age and interest rates. You can also choose the type of annuity that you want e.g. a flat rate pension or one that increases each year, and whether you want to provide for dependants' benefits on your death.

### **Buying Additional Scheme Pension**

If you retire with immediate payment of your benefits you may be able to use some or all of your AVC fund to buy a top-up pension from the Scheme for yourself and any dependants.

### **Taking your AVCs as cash**

You can take up to 100% of your AVC fund as tax-free cash<sup>1</sup> providing when added to your Scheme lump sum it does not exceed 25% of the overall value of your Scheme benefits (including your AVC fund).

### **Transfer your AVC fund to another pension scheme or arrangement**

You can transfer your AVC fund to another pension scheme or arrangement, including to a scheme that offers flexible benefits, independently of your main Scheme benefits; and provided you have stopped paying AVCs, you can transfer your AVC fund even if you continue to contribute to the Scheme.

Different pension providers offer different options for how you can use your AVC, including the option to buy regular income (an annuity). By transferring out you may be able to access options that are not available under the Scheme rules, such as:

- taking a number of lump sums at different stages. Usually the first 25% of each cash withdrawal is tax-free with tax payable on the rest.
- taking the entire pot as cash in one go. Usually the first 25% will be tax-free with tax payable on the rest. Remember it is possible to take your entire LGPS(NI) AVC plan as a tax-free sum if you leave it in the Scheme and take it at the same time as your main Scheme benefits.
- A flexible retirement income. This is known as flexi-access drawdown. You are normally allowed to take a tax-free lump sum of up to 25% then set aside the rest to provide taxable lump sums as and when, or a regular taxable income.

There may be tax implications associated with accessing your benefits in the ways described above. The income from a pension is taxable; the rate of tax you would

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<sup>1</sup>You can take up to 100% of your AVC fund as tax-free cash provided the lump sum does not exceed £268,275 (2024/25 figures). If you have taken payment of pension benefits before 6 April 2024 you will have used an amount of lifetime allowance. From 6 April, the Government have introduced a new regime to measure the tax-free lump sum limits when lump sums are paid to members. More information can be found on page 12.



pay depends on the amount of income that you receive from a pension and from other sources.

If you are thinking about transferring your AVC plan you can read more about how to protect yourself from scammers on our website. From June 2022 you will be required to either take guidance from Pension Wise or formally opt out of such guidance before any AVC transfer can proceed.

### **Leave your AVC invested until age 75**

You must take your AVC at the same time as your main benefits, apart from some flexible retirees. You can defer taking your main benefits and your AVC's until the eve of your 75th birthday. If you have not claimed your main Scheme benefits and the transfer conditions are met, you also have a right to transfer your AVC to another provider up to the eve of your 75th birthday.

### **Leaving the Scheme before retirement**

If you leave the Scheme before retirement, your AVC contributions will stop. The value of your AVC fund will continue to be invested until it is paid out.

Your AVC scheme is similar to your main Scheme benefits: it can be transferred to another pension arrangement along with your main Scheme benefits or drawn at the same time as your Scheme benefits.

### **What if I flexibly retire?**

If you flexibly retire you can choose to take all or none of your AVC fund at the same time as you draw your flexible retirement benefits, and if you wish, continue to pay AVCs.

### **How do I contribute to an AVC?**

You can apply online via Prudential's website at [www.pru.co.uk/localgov](http://www.pru.co.uk/localgov).

Equitable Life - information on existing contracts is available directly from NILGOSC on 0345 3197 325.

### **How do I find out more information on AVCs?**

Further information on AVCs and investment fund options can be found on both the NILGOSC website - [www.nilgosc.org.uk](http://www.nilgosc.org.uk) and the Prudential website - [www.pru.co.uk/localgov](http://www.pru.co.uk/localgov)

### **What if I Die?**

If you die before taking your AVC it will be paid as a lump sum. You can tell NILGOSC who you would like to receive this money by completing an Expression of Wish form (LGS20). You can update this on My NILGOSC Pension Online or by downloading and completing the Expression of Wish form on our website.

## **Contributing to Free Standing Additional Voluntary Contributions (FSAVCs) or contributing to a concurrent Personal Pension Plan or Stakeholder Pension Scheme**

You may make your own arrangements to pay Free Standing Additional Voluntary Contributions (FSAVCs) or pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the Scheme. You choose the provider which is usually an insurance company. You may also want to consider their charges, alternative investments and past performance.

You choose how much to pay into the arrangement. You can pay up to 100% of your total taxable earnings in any one tax year (or £3,600 if greater) into any number of concurrent arrangements and be eligible for tax relief on those contributions. If you are a higher rate tax payer you will need to complete a tax return to reclaim higher rate tax relief.

The contributions which you pay are invested in funds managed by an insurance company. You have your own personal account that, over time, builds up with your contributions and investment returns, and will be available at retirement to convert into additional benefits.

When the benefits are paid, you will be able to take 25% of your fund as a tax-free lump sum (provided the lump sum that you receive from all of your pension arrangements does not exceed £268,275 (2024/25 limits)) and the remainder is used to buy an annuity from an insurance company, bank or building society.

From 6 April 2015 you can avail of relaxed rules that allow you to take the remainder of your fund as cash but it will be taxed at your highest tax rate.

The amount of an annuity depends on factors such as interest rates and your age. You also have choice over the type of annuity e.g. whether you want annual increases and/or dependant's benefits.

Annuities are subject to annuity rates which are affected by interest rates. When interest rates rise, annuity rates rise.

Conversely a fall in interest rates reduces the annuity rates and the pension which can be purchased.

## **Historical methods of buying extra Scheme pension**

### **Additional Regular Contributions (ARCs)**

If you were a member of the Scheme before 1 April 2015 you may have chosen to purchase Additional Regular Contributions (ARCs). You were able to buy annual pension, either for yourself or for yourself plus any dependants, in multiples of £250 up to a maximum of £5,000 per year. These contributions must have been paid over

a number of whole years with a minimum of one year and contributions could not start on or after your 64th birthday.

The additional pension purchased through this arrangement is payable at retirement. If you draw your pension before age 65 (and not on ill-health grounds) your additional pension will be reduced as it will be paid early. If you draw your pension after age 65, your extra pension will be increased as it will be paid later. The reduction or increase does not apply to any dependant's cover which you have chosen to buy.

In the event of ill-health retirement or death before your previous normal retirement age (usually age 65) the Additional Regular Contributions are deemed to have been paid in full.

Further information is available from NILGOSC on request.

### **Purchase of Additional Years**

If you were a member of the Scheme before 1 April 2009 you may have elected to purchase additional years. You were able to buy a maximum of 6 <sup>2</sup>/<sub>3</sub> added years to increase your lump sum and pension benefits by paying additional contributions until your normal retirement age. The purchase of additional years is a final salary type arrangement and each year that you purchase usually increases your pension by 1/80th and your lump sum by 3/80ths. The final amount payable is calculated on your pensionable pay (excluding non-contractual overtime and any payments for additional hours) at retirement or date of leaving.

In the event of ill-health retirement or death before your previous normal retirement age the additional years are deemed to have been bought in full.

Further information is available from NILGOSC on request.

### **Can my employer award me additional pension benefits?**

Your employer, at its **discretion**, can

- grant you up to £8,675 of additional pension per year (2024/25 limits). Additional pension awarded by your employer will normally be reduced if you claim your retirement benefits before your normal pension age. The exception to this is if the reason for leaving is redundancy or business efficiency, in which case any additional pension awarded by your employer may be paid on an unreduced basis.
- pay into your AVC scheme. This is known as a shared cost AVC arrangement.

These are **discretions** which your employer can use if they wish. You can ask your employer about its policies on these discretions.

## Tax Rules on Pension Savings

There is no overall limit on the amount of contributions you can pay, but tax relief will only be given on contributions up to 100% of your taxable earnings in a tax year (or if greater £3,600 to a 'tax relief at source' arrangement such as a personal pension or stakeholder pension scheme).

There are limits on how much pension you can build up before you become subject to a tax charge. The first is the **annual allowance** and is the amount by which your pension savings can increase in one year without becoming subject to a tax charge. The annual allowance limit is currently £60,000. However, if you are a high earner your annual allowance could be lower than £60,000 due to tapering\*.

NILGOSC will issue you with a pensions savings statement by 6 October each year if you exceed the annual allowance for the previous tax year.

If your pension savings exceed the annual allowance, you may carry forward any unused allowance from three previous tax years.

If you still exceed the allowances after carried forward allowances are taken into account, a tax charge must be applied.

If the tax charge exceeds £1,000 and you also exceed your annual allowance limit, the charge can be paid from your pension benefits (subject to certain conditions) and your benefits will be adjusted accordingly.

Special rules may apply if you have taken any 'flexible access' benefits from a money purchase (defined contribution) arrangement e.g. taking all your pension as cash.

The second limit was the lifetime allowance. The Government has recently brought forward new laws that have abolished the lifetime allowance from 6 April 2024. There is now no limit on benefits paid as pensions, as pensions are subject to income tax.

The changes to the law see two new lump sum allowances being used, to control the tax-free limits of lump sum payments from pension schemes. The two new allowances are:

- A lump sum allowance – a cumulative limit of £268,275 on the tax-free part of lump sums paid at retirement.
- A lump sum and death benefits allowance – a cumulative limit of £1,073,100 on the total amount of lump sums, and lump sums death benefits payable to, and in respect of, a member.

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\*There will be a £1 reduction in annual allowance for every £2 of adjusted income (annual income before tax plus your own and any employer pension contributions) earned above £260,000. This only applies to members whose pensionable pay is more than £200,000. The annual allowance cannot be reduced below £10,000.

These allowances may be higher if a member has held previous protections, such as Fixed Protection or Individual Protection. Allowances may also be different if a member has applied for, and been granted, a transitional tax-free amount certificate.

The expectation is that very few members will be impacted by these new allowances. More information on these changes, and the process around transitional tax-free amount certificates, can be found at <https://nilgosc.org.uk/members/about-the-scheme/tax-limits-on-your-pension/lump-sum-allowances/>.

At the time of writing, HMRC still expects to have to provide further guidance, so unfortunately there remains some uncertainty on some aspects of the new regime.

## **Data Protection**

NILGOSC is a data controller in line with the UK Data Protection Act 2018 and UK General Data Protection Regulation (UK GDPR). This means we store, hold and manage your personal data in line with statutory requirements to provide you with pension administration services. To enable us to carry out our statutory duties, we are required to share your information with certain bodies, but will only do so in limited and specified circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from NILGOSC, please refer to the Privacy Notice for Members and Scheme Beneficiaries, available on our website at [www.nilgosc.org.uk/about-us/data-protection](http://www.nilgosc.org.uk/about-us/data-protection).

Requests in relation to accessing your personal data or exercising any other rights under data protection legislation should be made in writing or via email to the Data Protection Officer at NILGOSC at [governance@nilgosc.org.uk](mailto:governance@nilgosc.org.uk).

## **National Fraud Initiative (NFI)**

NILGOSC is required to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud. In accordance with this, NILGOSC participates in the National Fraud Initiative (NFI) run by the Northern Ireland Audit Office, which has statutory powers to conduct data matching exercises. For further information about NILGOSC's participation in the NFI see [www.nilgosc.org.uk/pensioners/fraud/national-fraud-initiative-nfi](http://www.nilgosc.org.uk/pensioners/fraud/national-fraud-initiative-nfi).

## **Further Information**

You can find more detailed information in other Scheme literature which can be viewed on our website at [www.nilgosc.org.uk](http://www.nilgosc.org.uk), or requested from your employer or directly from NILGOSC.

If you have any questions on the content of this leaflet or on any aspect of the Local Government Pension Scheme (NI), please contact the Pension Administration Team by any of the methods below.

## **Contact Details**

If you have any questions on the content of this guide or any aspect of the Local Government Pension Scheme (NI), please contact the Pension Administration Team by any of the methods below:

Postal Address:  
NILGOSC  
Templeton House  
411 Hollywood Road

Belfast  
BT4 2LP

Website: [www.nilgosc.org.uk](http://www.nilgosc.org.uk)

Email: [info@nilgosc.org.uk](mailto:info@nilgosc.org.uk)

Telephone: 0345 3197 325

Call from abroad: 0044 2890 768025

Typetalk (for minicom users): 18001 0345 3197 320

Fax: 0345 3197 321

### **Visitors**

Our offices are open Monday to Friday, from 9am to 5pm. Please contact us in advance of visiting our office to ensure that a meeting room is available. The office is closed on public and statutory holidays.

### **Alternative Formats**

Information produced by NILGOSC can be made available in several languages and formats such as large print, Braille and audio disc.

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