

Buying extra pension

A guide to additional pension contributions (APCs) in the Local Government Pension Scheme (LGPS)



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APCs – a summary

- Pay more pension contributions to buy extra pension – you can buy up to £8,903 of extra pension
- Spread the cost or pay a lump sum – you can choose how much pension you want to buy and how you want to pay for it
- Tax relief – your contributions get tax relief
- Inflation proof – the extra pension you buy will increase in line with the cost of living

Get a quote online: visit www.lgpsmember.org to see how much it will cost to buy extra pension.

What are APCs?

If you are in the main section of the Local Government Pension Scheme (LGPS) you can pay additional pension contributions (APCs) to buy up to £8,903 of extra pension. Please see the 'Terms used in this guide' section for definitions of 'main section' and '50/50 section'.

Any extra pension you buy is payable each year in retirement and is payable on top of your normal LGPS benefits.

You can choose to pay for the extra pension by spreading the payment of the APCs over a number of complete years or by paying a lump sum.

If you choose to spread the payments, the APCs would be deducted from your pay, just like your normal contributions. Your normal contributions plus the APCs are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically.

If you wish to buy extra pension by paying a one-off lump sum you can do so either through your pay or by making a lump sum payment directly to Bedfordshire Pension Fund.

You qualify for tax relief on all pension contributions up to 100% of your taxable earnings, including your normal contributions.

The amount of tax relief you receive depends on whether you are a basic, higher, or additional rate taxpayer. If you don't pay tax, you won't benefit from tax relief.

If you are in the 50/50 section of the LGPS you can't start paying APCs to buy extra pension.

How do APCs work?

How much can I pay in?

There is no overall limit on the amount of contributions you can pay, but there is a limit on the extra pension you can buy. You can buy up to £8,903 of extra pension (2025/2026 figure).

How much does it cost to buy extra pension?

The cost of buying the extra pension will depend on how much you want to buy, how old you are and whether you want to spread payments or pay a lump sum. The cost is worked out in line with guidance from the government. The guidance can be reviewed by the government any time.

There is a calculator online at www.lgpsmember.org which you can use to see how much it will cost to buy the amount of extra pension you want.

The extra pension you are buying will increase in line with the cost of living, both before and after you draw your pension.

The cost of any extra pension you buy is paid for by you unless your employer chooses to pay some or all of the cost of the APC. You can ask your employer what their policy is on this.

Paying by regular contributions (spreading the cost)

You can choose to buy extra pension by spreading the payment of the APCs over a number of complete years (unless Bedfordshire Pension Fund decides that it would not be practical to allow the APCs to be paid by regular contributions, for example if the amount of APCs is very small, in which case payment could be made by lump sum).

The minimum period of time you can spread payment of APCs over is 12 months and the maximum period is the number of years to your normal pension age (NPA). Your NPA is equal to your State Pension age (but with a minimum of age 65). The latest you can take out an APC contract for regular contributions is 1 year before your NPA so if you are a year or less from your NPA you can only pay by lump sum.

At the end of every scheme year the proportion of extra pension that you have paid for in that year is added to your pension account. Please see the 'Terms we use in this guide' section for definitions of 'scheme year' and 'pension account'.

You can choose to stop paying APCs at any time by notifying Bedfordshire Pension Fund in writing. You will be credited with the extra pension that you have paid for at the time the APC payments stop.

You will be credited with the full amount of extra pension bought if you complete the payments or if, before completing payments, you are retired on the grounds of ill health with an enhanced pension.

Please note that if you enter into a contract to buy APCs by regular contributions, the contributions you pay may be increased in the future because from time to time the government reviews the cost of additional pension benefits. If this happens, Bedfordshire Pension Fund will let you know what the new amount of contributions will be and the new amount will apply from the following April.

Paying by lump sum

As an alternative to paying APCs over a period of time you can choose to buy extra pension by paying a one-off lump sum either through your pay or directly to Bedfordshire Pension Fund.

If you choose to make payment directly to the pension fund you will need to arrange tax relief with HM Revenue and Customs (HMRC) as the contributions are not being deducted from your pay. You can do this through your self-assessment tax return or by calling or writing to HMRC.

You can choose to make a lump sum payment to buy extra pension through an APC at any time while you are contributing to the main section of the scheme. If you choose to buy extra pension by making a lump sum payment, you will be credited with the full amount of extra pension bought. The amount of extra pension you buy is added to your pension account in the scheme year in which payment is made.

The application process

You can get a quote for the cost of paying APCs by using the online calculator on the national website for LGPS members at www.lgpsmember.org

The calculator allows you to put in either the amount of extra pension that you would like to buy or the amount of extra contributions that you would like to pay.

You will need to decide whether you want to spread the cost by paying regular monthly contributions or if you want to pay the full cost in a lump sum. If you want to spread the cost you will need to decide for how long you would like to pay APCs (the end date for regular contributions can be no later than your NPA in the LGPS).

Once you are happy with the quote, an application form can be printed from the LGPS member website.

If you have decided to pay APCs as a monthly deduction from your pay, you should make sure that the monthly APC deduction is not more than your monthly pay.

The application form should be signed and sent to Bedfordshire Pension Fund. Contact details for the fund are available at the end of this guide.

Once Bedfordshire Pension Fund has received your application form you will be contacted by the fund to confirm if your application can proceed.

Once all the necessary checks have been carried out and your application has been accepted, payment of the APCs can start. If you have chosen to pay by regular contributions or by a one-off lump sum deduction from your pay, your employer will start the deduction of APCs from your pay from the next available pay period after your application has been accepted.

If you choose to pay by a lump sum payment made direct to the pension fund you should not submit the payment to the fund until it has been confirmed that your application has been accepted.

Please note that if there is a delay on a decision on whether your application can be accepted which is caused by you and you pass a birthday which results in the cost of buying extra pension changing, you will be asked to submit a new application.

Points to note

If you have more than one job in which you are a member of the scheme you would have to decide to which job's pension account any extra pension you are buying is to be credited. If you want to pay APCs for each job, you would need to make a separate APC application for each job. If your job ends then the APCs that you are paying for that job will also stop.

If you want to buy extra pension and you already have an existing APC arrangement or, before 1 April 2014, you chose to buy additional pension under an Additional Regular Contribution (ARC) arrangement, the amount of additional

pension from these existing arrangements will be taken into account when determining the maximum extra pension you can buy within the £8,903 limit.

Any extra pension you buy will be paid at the same time as your main LGPS benefits.

If you choose to retire early and draw your benefits before your NPA, or you are retired on redundancy or business efficiency grounds before your NPA, the extra pension you have bought will be reduced for early payment.

If you draw your benefits on flexible retirement, you can, if you wish, draw all the extra pension you have paid for too, although it will be reduced for early payment. If you do so, your APC contract will end (if you are still paying the extra contributions when you draw your benefits), although you will be able to take out a new APC contract (provided you are at least one year before your NPA if you want to pay the APCs by regular contribution).

If you are awarded (by your employer) an enhanced ill-health pension (either Tier 1 or Tier 2) then the remaining amount of any APC contract you are paying at that time is deemed to have been paid in full and is credited to your pension account in the scheme year your pension is paid.

If you draw your pension after your NPA, the amount of any extra pension you have bought will be increased as it's being paid later.

On retirement, you can choose to exchange some of the extra pension you have bought for a tax-free cash lump sum in the same way as your main LGPS pension.

If you die while you are paying into the pension scheme then no extra benefits from your APC contract will be payable. This is because the amount of extra pension is for you only.

If you die after leaving but before retirement and your benefits are held in the LGPS for payment (deferred benefits) then a lump sum of 5 times the extra annual pension you paid for will be payable.

If you die after starting to draw your pension and you are under age 75 at the date of death, a lump sum of 10 times your extra annual pension minus any extra pension already paid to you may be payable.

Get some advice...

We recommend that you get guidance and/or independent financial advice when making decisions about your pension.

MoneyHelper offers free and impartial money advice, including pensions and retirement information.

Pensions helpline: 0800 011 3797

Website: moneyhelper.org.uk

The **Financial Conduct Authority** is the regulatory body for independent financial advisers www.fca.org.uk

The **Personal Finance Society** is the professional body for financial advisers. It provides access to appropriately qualified members who commit to the highest professional and ethical standards www.findanadviser.org

Unbiased is a website listing regulated and independent financial advisers, mortgage brokers, solicitors and accountants. It checks that everyone is registered with the Financial Conduct Authority. www.unbiased.co.uk

Other ways to increase your pension benefits

Pay in-house additional voluntary contributions (AVCs)

All local government pension funds have an AVC arrangement in which you can invest money, deducted directly from your pay, through an AVC provider. The provider for Bedfordshire Pension Fund is Prudential. If you choose to pay AVCs under the LGPS, the AVCs are invested separately in funds managed by the AVC provider. You have your own personal account that, over time, builds up with your contributions and the returns on your investment and will be available to you when you retire. More information is available in the AVC booklet 'Building up extra savings'.

Freestanding additional voluntary contributions (FSAVCs)

These are like in-house AVCs but are not linked to the LGPS in any way. With FSAVCs, you choose a provider, usually an insurance company. You may want to

consider their different charges, alternative investments and past performance when you do this.

You choose how much to pay into an FSAVC arrangement. You can pay up to 100% of your UK taxable earnings, less your normal pension contributions.

How much income your FSAVC will provide depends on how long you pay AVCs for, the impact of charges and how well the fund(s) you invest in perform. Your AVC plan is an investment and the value can go down as well as up. You may not get back what you put in. You can choose which investment route you prefer.

You can usually take up to 25% of the value of your FSAVC fund as a tax-free lump sum.

You can also pay FSAVCs to provide additional life cover. Your LGPS membership already gives you cover of three times your assumed pensionable pay if you die in service, but you can increase this amount via an FSAVC or use the FSAVC to provide additional dependants' benefits on your death in service. This may be subject to satisfactory completion of a medical. Please see the 'Terms used in this guide' section for the definition of 'assumed pensionable pay'.

Personal or stakeholder pensions

You can make your own arrangements to pay into a personal pension plan or stakeholder pension scheme at the same time as paying into the LGPS. With these arrangements, you choose a provider, and again, you need to consider their charges, alternative investments and past performance when you do this.

It is advisable to get financial advice before taking out any form of additional pension saving.

Tax and your pension

One of the benefits of saving with a registered pension scheme, such as the LGPS, is that you receive tax relief on the contributions you pay into the scheme. However, the amount of pension tax relief you can receive is restricted by HMRC. Most people will be able to save as much as they wish as their pension savings will be less than the allowances. However, if you are thinking of making additional pension savings, it is important that you are aware of the restrictions.

Limits on how much you can pay

At the present time, while there is no overall limit on the amount of contributions you can pay, tax relief will only be given on contributions up to a total of 100% of your taxable earnings in a tax year. A different limit may apply if you pay into a 'tax relief at source' arrangement, such as a personal pension or stakeholder pension scheme).

Recycling

If you choose to pay APCs by a lump sum payment direct to the pension fund, you should be aware that there are potential tax implications if you use a tax free lump sum due from, or already received from, a pension scheme to pay for the APCs. This activity is known as recycling.

Limits on how much pension you can build up

The annual allowance is the amount that the value of your pension benefits may increase by in a year without you having to pay a tax charge. For the 2022/2023 tax year, the standard annual allowance was £40,000. This has increased to £60,000 from the 2023/24 tax year onwards. If you are a high earner your annual allowance could be lower due to 'tapering'.

For defined benefits arrangements, such as the main LGPS scheme, the amount of annual allowance is the growth in the value of your pension over the tax year.

For money purchase arrangements, such as AVC schemes, the annual allowance you use is the total contributions paid by you, or on your behalf, over the tax year.

If your LGPS pension savings in a year ending 5 April exceed the standard annual allowance, your LGPS pension fund will inform you by 6 October.

You can find out the value of the increase in your pensions saving for each of the last three years by asking your pension fund for a Pension Savings Statement.

For more information about the annual allowance, including information on 'tapering' for high earners and the implications if you have taken defined contribution benefits flexibly on or after 6 April 2015, see the annual allowance information available at www.lgpsmember.org

Contact Information

Post: Bedfordshire Pension Fund Borough Hall, Cauldwell Street, Bedford MK42 9AP

Email: pensions@bedford.gov.uk

Phone: 01234 276912

Website: www.bedspensionfund.org

Terms used in this guide

Main section and 50/50 section

Since 1 April 2014, the LGPS has been a Career Average Revalued Earnings (CARE) scheme and there have been two sections to it - the main section and the 50/50 section. When members first join the pension scheme they are put in the main section but there is the option to move into the 50/50 section. Members who choose to move into the 50/50 section pay half the normal contribution rate and build up half the normal pension.

Scheme year

The LGPS scheme year runs from 1 April to 31 March each year.

Pension Account

Each scheme year the amount of pension you have built up during the year is worked out and this amount is added into your active pension account. Any additional pension you have bought during the year is also added to the account. Your account is then revalued to take account of the cost of living.

Assumed pensionable pay

This provides a notional pensionable pay figure to ensure your pension is not affected by any reduction in pensionable pay due to a period of sickness or injury on reduced contractual pay or no pay, or relevant child related leave or reserve forces service leave. 'Pensionable pay' is the pay on which you normally pay pension contributions. Typically pensionable pay includes your normal salary or wages; bonuses; overtime (both contractual and non-contractual); maternity, paternity, adoption and shared parental pay; shift allowance and additional hours payments if you work part-time.

Disclaimer

This leaflet is for employees in England or Wales and reflects the provisions of the LGPS and overriding legislation at the time of publication in April 2025. The government may make changes to overriding legislation and, after consultation with interested parties, may make changes in the future to the LGPS. This leaflet cannot cover every personal circumstance. In the event of any dispute over your pension benefits, the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.