

Pensions Helper

Pensions Helper is a series of factsheets covering a range of topics to help scheme employers of the Greater Gwent (Torfaen) Pension Fund with the administration of the Local Government Pension Scheme.

Additional Pension Contributions (APC)



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Greater Gwent (Torfaen) Pension Fund

Every effort has been made to ensure the accuracy of the information in this short guide at the time of publication. Publication Date July 2021

What are APCs?

Additional Pension Contributions (APCs) allow members to setup an arrangement to buy extra pension or buy back lost pension for their LGPS pension account.

If a member wishes to go ahead and buy extra pension or lost pension they must use the online Local Government Association (LGA) APC calculator to work out the cost and generate their APC application form.

Key Facts

- APCs only buy pension for the member and does not include any benefits for their dependents on a member's death.
- Members can choose to pay the APC contract costs by a lump sum payment through their pay, direct to the Pension Fund or by regular contributions.
- Any regular contribution APC contracts must be setup for a minimum term of 1 year, must end by the members Normal Pension Age (NPA) and cannot be setup within a year of NPA.
- Members within a year of their NPA buying lost pension or over NPA but under age 75 buying extra pension must pay the APC contract costs through lump sum payment only.
- Pension bought through APC contracts will still be subject to reductions or increases for early or late retirement (even if their main pension built up is protected i.e. redundancy, business efficiency etc.)
- Members awarded ill health retirement tier 1 or 2 will be treated as having paid an APC contract in full and the full amount of pension added to their pension account
- Members who cancel their APC arrangement for regular contributions

before the agreed end date will only have their pension account credited with the amount of bought.

Buying lost pension

Member's can buy back lost pension for any unpaid absences including unpaid additional maternity, paternity or adoption leave and trade disputes. Member's in the 50/50 section can only buy back the full main section lost pension not a reduced amount unless the absence is due to a trade dispute.

Employers are required to provide members with the lost pension figure, reason for absence and date of absence either on request by the member or within 30 days of the member returning from the absence.

Members use this information to complete the APC calculator to work out the costs of buying back the lost pension.

Any members who choose to buy back the lost pension through regular contributions will not need to undergo a medical assessment.

Buy Extra Pension

Member's can buy extra pension up to the maximum limit per year to add to their pension account. For 2019/20 this is £7026 per year extra pension.

Members can choose to pay the APC contract cost as a lump sum payment or through regular contributions from their pay. If members choose to pay by regular contributions they must undergo a medical assessment which must be satisfactory before the Pension Fund will accept their application. The costs of the medical assessment must be paid for by the member themselves. Member's cannot buy extra pension while in the

50/50 section of the LGPS.

Sharing the costs

You as the scheme employer are required to pay 2/3rds of the APC costs for members buying back lost pension and making their application within 30 days of returning to work. You as the employer have a discretion to extend the 30 day time limit and should refer to your discretions policy to check the circumstances when this would apply to a member.

You as the scheme employer must have a discretions policy on when you will agree to buy extra pension for a member through APCs in full or share the cost with the member. This is called a Shared Cost APC arrangement and proof should always be provided by you that you have agreed to this with the member's APC application.

The Process



Members will need to visit our website to access the Local Government Associations (LGA) APC calculator. They will be asked to input a number of pieces of personal and pay information for the calculator to work out the APC contract costs. **Remember, if the member is buying back lost pension they will need to be provided with this information.**

Once members have done this the calculator will generate an APC application form which they will need to print off, sign and send in to you as the scheme employer.

Receiving their application

When you as the scheme employer receive their application there are some basic checks you should do just to make sure it is a valid APC application.

Buying lost pension

- Check member's lost pension, absence dates and reason matches those you gave them.
- Check if member has made application within 30 days of returning to work unless you as the scheme employer have extended the time limit.
- Check if member wishes to pay APC costs by lump sum or regular contributions.
- Check member not within year of Normal Pension Age (NPA) if they are tell member can only pay by lump sum.
- If regular contributions check is for more than £20, contract length 1 year or more and whole years and check sufficient pay to deduct regular contributions from.

If you have any doubts about whether the application is valid or not please contact the Pension Fund before setting up payroll deductions.

Once you have checked the application and are happy it is valid do the following:-

1. Set up payroll deductions from next available pay date.
2. Send copy of APC application and confirm deduction setup to Pension Fund
3. Send notification to member to confirm APC been accepted

Buying extra pension

- Check if member wishes to pay APC costs by lump sum or regular

contributions.

- Check member is not within year of Normal Pension Age (NPA). If they are tell member can only pay by lump sum.
- Check contract will end before NPA.
- If regular contributions check is for more than £20, contract length 1 year or more and whole years and check sufficient pay to deduct regular contributions from.

If you have any doubts about whether the application is valid or not please contact the Pension Fund before setting up payroll deductions.

Once you have checked the application and are happy it is valid do the following:-

Lump Sum Payments

1. If a deduction from pay, set up payroll deduction from next available pay date.
2. Send copy of APC application and confirmation deduction taken to Pension Fund
3. Send notification to member to confirm APC accepted
4. If lump sum paid direct to Pension Fund send APC application to Pension Fund

Regular Contributions

1. Send APC application to Pension Fund, do not set up deduction from pay. Member will be required to have a medical.
2. Await request from pension Fund to setup APC deductions.

Understanding the Application

Total extra pension to be bought – Amount of extra pension bought.

Years of agreement – The number of complete years for regular contributions.

Pension added to the account for each year of the agreement – amount of pension added each year of regular contributions.

Gross total cost of pension being bought – Regular **monthly** contributions before tax relief

Cost to employer – Employer share of APC costs for buying lost pension at 2/3rds or extra pension

What the Fund will do?

Once we receive a member's APC application form.

For APC Lump Sum Payments to us

We will:-

1. Write to the member telling them how to make payment to us.
2. Add the pension bought to the member's pension account.
3. Write to tell the member we have done this.

Regular Contribution (extra pension)

We will:-

1. Check the APC application
2. Write out to them telling them what they need to do next and who to contact to undergo a medical assessment.
3. Decide whether to accept or reject the application based on assessment.
4. Tell you as scheme employer to setup regular deductions from pay and also tell member APC application has been accepted.

You will find two quick reference flow charts at the back of this guide.

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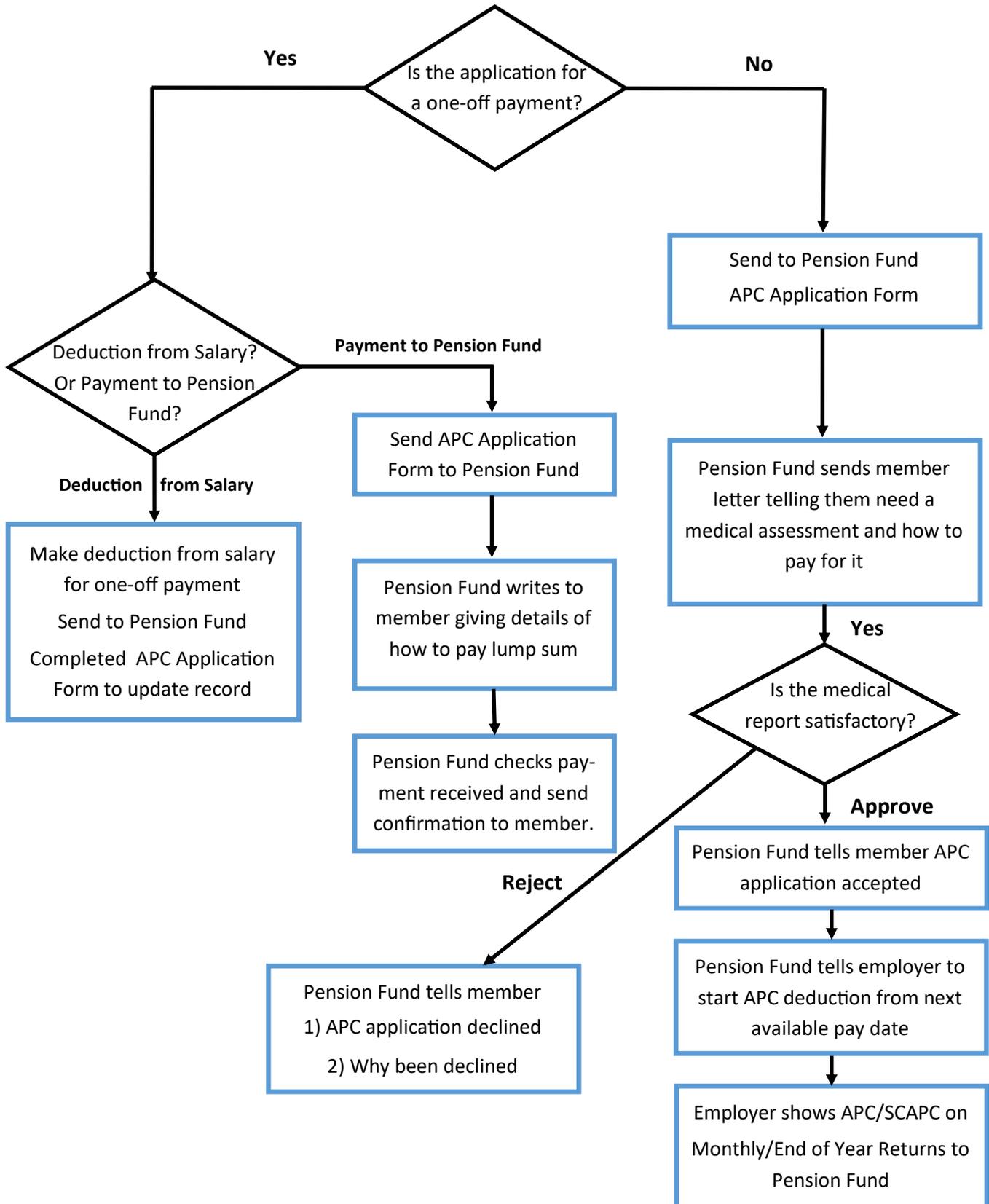


The Greater Gwent (Torfaen) Pension Fund

administered by Torfaen County Borough Council

APCs

Buying Extra Pension





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APCs

Buying Lost Pension

