

Information for Civil Service pension scheme members

Title: **Buying added pension**

INCREASE IN LIMIT AND ANNUAL REMINDER AND DEADLINE DATES

Date: 29/01/2014

Audience: If you are in **classic**, **classic plus**, **premium** or **nuvos**, you may choose to buy added pension to top up your pension benefits. You can buy added pension by making monthly contributions from your pay and/or by paying by a lump sum. Please note the possible impact of tax on pensions highlighted below.

Action: **Read the added pension leaflet** – available on the Civil Service Pensions website <http://www.civilservice.gov.uk/pensions> or from your MyCSP Pension Service Centre. Their contact details are *[employer to insert name, address, email address and telephone number of Pension Service Centre]*. **See the calculator on the Civil Service Pensions website** to see how much you can buy and how much it will cost <http://www.civilservice.gov.uk/pensions> (under ‘calculators’)

Need to know

Paying by lump sum

You can make one lump sum payment at any time in the year through your salary. If you want to make a lump sum payment in the 2013-14 scheme year through payroll, you must send the completed form to your MyCSP Pension Service Centre by **14 February 2014**. This is to ensure that your MyCSP Pension Service Centre can tell your payroll in time to deduct the money from your March salary. If your application reaches the MyCSP Pension Service Centre after this date it is possible it might not be processed in the current scheme year.

If you want to make a lump sum payment by cheque, you must contact your MyCSP Pension Service Centre for further details as soon as possible and then must return their application and cheque to them by **3 March 2014**. Cheques will not be accepted by the Cabinet Office direct from scheme members or employers.

Before applying to buy added pension by lump sum please ensure you understand the potential for an Annual Allowance tax charge by reading the section on the Annual Allowance below.

Paying by monthly contributions

If you want to buy added pension by monthly contributions for scheme year 2014-15, you must send the completed form to your MyCSP Pension Service Centre by **3 March 2014** so that they have time to instruct your payroll to start making deductions from your April salary. If your application reaches the MyCSP Pension Service Centre after this date there is the possibility it will not be processed in time.

You can either pay a set amount or a set percentage of your pensionable earnings.

Increase in limit

The amount of added pension you can buy is increasing. The new limits apply to payments made from 1 March 2014 onwards. You may apply now to take advantage of the new limits on the basis that your payment (either by deduction from salary or by cheque) will not actually be made until March (or later).

The limit on the amount of added pension that can be bought is increasing as follows:

classic	£4,880 (plus lump sum of £14,640)
premium, classic plus and nuvos	£6,100

Tax relief

You will receive tax relief on contributions made through payroll. So a contribution of, say, £100 would have a net cost to you of £80 if you pay income tax at standard rate (or £60 if you pay tax at the 40% rate). To get tax relief if you buy added pension by cheque, you will need to tell HM Revenue & Customs about your contribution by making a tax return for the year in which you are buying.

Annual Allowance

Please note that buying added pension, particularly by lump sum, will increase the value of your pension from one year to the next, and you could potentially become liable to an Annual Allowance tax charge. Defined benefit pension schemes such as **classic, classic plus, premium** and **nuvos** are valued by multiplying the pension built up in the year by 16 and adding the increase in any automatic lump sum over the year. The calculation includes a measure to ease the effect of inflation. The Annual Allowance tax charge will normally only affect higher earners, but buying added pension directly affects the amount that your benefits increase from one year to the next and so you should ensure that you are aware of the potential for an Annual Allowance tax charge before applying.

The Annual Allowance is £50,000 for the tax year 2013-14 (6 April 2013 to 5 April 2014), reducing to £40,000 for the tax year 2014-15 (starting 6 April 2014). However, the Pension Input Period (PIP) in the Civil Service pension scheme, over which the increase in the value of your pension benefits is measured, runs from 1 January to 31 December each year. This means that the PIP relevant to the tax year 2014-15 started on 1 January 2014, so any added pension bought on or after 1 January 2014 will count towards the increase in

the value of your pension benefits measured against an Annual Allowance of £40,000 and is valued based on the amount of pension purchased x 16 (plus any automatic lump sum), not the amount of the contribution. The Annual Allowance is a personal tax responsibility and your employer or pension administrator cannot provide financial advice.

You should also note that if you receive a promotion or large pay rise above the level of inflation then this will increase the value of your pension in that year, and so may limit the amount of added pension you could buy without incurring a tax charge. If you do exceed the Annual Allowance you can offset the excess against unused Annual Allowance from the previous three years (if you have bought added pension by lump sum, or received a large pay increase in previous years this may also limit the amount of unused Annual Allowance you have from previous years). For more information on the Annual Allowance please see the HM Revenue and Customs website: www.hmrc.gov.uk/pensionschemes

How much added pension can I afford?

Please see the added pension calculator on www.civilservice.gov.uk/pensions (under 'Calculators'), which illustrates the costs. If you cannot access the calculator, contact your MyCSP Pension Service Centre.

Index Linking

The amount of added pension you buy will be increased each year in line with prices until you take your pension.

New Entrants

If you have joined your organisation in the last 12 months, please contact your MyCSP Pension Service Centre about your eligibility to buy added pension.

MyCSP - Contact details

E-mail: *Employer to insert the MyCSP Pension Service Centre contact email*
Direct line: *Employer to insert the MyCSP Pension Service Centre contact helpline number*

Application for nuvos member to buy added pension

Personal Details

Name:

Date of birth:

National Insurance or
pension scheme member No:

Buying by monthly contributions

I wish to buy added pension by paying £..... monthly contributions from my salary

OR % of my salary by monthly contribution

I wish to buy added pension for:

- myself only
 myself and dependants

I wish to contribute:

- for 1 year
 for more than 1 year (please specify number of years, in whole years)
 until I decide to cancel in writing

Buying by a lump sum contribution

I wish to buy added pension by paying a £.....lump sum, deducted from my salary

If you want to buy your added pension other than through your salary, your contributions will **not** get automatic tax relief. To get tax relief you will need to tell HM Revenue and Customs about your lump sum by making a tax return for the year in which you are buying.

Please speak to your MyCSP Pension Service Centre if you want to pay other than through your salary.

I understand that I must not use a lump sum from a previous pension scheme to buy added pension.

Signed.....Date.....

Please send this form to your MyCSP Pension Service Centre

Application for classic, classic plus and premium members to buy added pension

Personal Details

Name:

Date of birth:

National Insurance or
pension scheme member No:

Buying by monthly contributions

I wish to buy added pension by paying £..... monthly contributions from my salary

OR % of my salary by monthly contribution

I wish to buy added pension:

for 1 year

for more than 1 year (please specify number of years, in whole years)

until I decide to cancel in writing

Buying by a lump sum contribution

I wish to buy added pension by paying a £.....lump sum, deducted from my salary

If you want to buy your added pension other than through your salary, your contributions will **not** get automatic tax relief. To get tax relief you will need to tell HM Revenue and Customs about your lump sum payment by making a tax return for the year in which you are buying. *Please speak to your MyCSP Pension Service Centre if you want to pay other than through your salary.*

I understand that I must not use a lump sum from a previous pension scheme to buy added pension.

Signed.....Date.....

Please send this form to your MyCSP Pension Service Centre