



Additional Regular Contributions (ARCs)

Buying Extra Pension

Your standard Local Government Pension Scheme (LGPS) benefits are made up of a pension, with a tax free lump sum either as part of your package, or as an option to take when you retire (depending on your dates of membership).

By paying additional regular contributions (ARCs), you can buy extra pension for yourself and, if you wish, your dependants on your death.

How much extra pension can I buy?

You can decide how much extra pension you want to buy in blocks of £250 up to a maximum of £5000. The value of this extra pension will increase annually in line with inflation. When you reach retirement, we will pay your additional pension, plus the increases.

You can choose to buy extra pension for yourself, or for yourself and your dependants. Dependants benefits payable from your ARCs contract after your death would be:

- **Spouse/Civil Partner/Nominated Co-habiting Partner** – will receive a pension of 37.5% of your additional pension
- **One eligible child** – will receive a pension of 18.75% of your additional pension
- **One eligible child (when there is no Spouse/Civil Partner/Nominated Co-habiting Partner's pension payable)** – will receive a pension of 25% of your additional pension
- **Two or more eligible children** – will receive a pension of 37.5% of your additional pension shared equally between them
- **Two or more eligible children - (when there is no Spouse/Civil Partner/Nominated Co-habiting Partner's pension payable)** – will receive a pension of 50% of your additional pension shared equally between them

How much will it cost me?

The cost depends on the amount of pension you would like to buy, the payment period you choose, your age, whether you are male or female, and whether you decide to include dependants benefits.

The costs are set by the Government, and at sometime in the future, they may increase these costs. If this happens you can:

- stop your additional payments
- Or
- continue to pay additional contributions at the higher rate

To work out your monthly contribution, you will need to look at the table of costs at the back of this booklet. Table 1 shows the cost for buying £250 per year extra pension for yourself, and Table 2 shows the cost for buying £250 per year of your own extra pension plus extra dependants pension.

Look for your current age in the left hand column, and look at the rows across the page, which show the number of years that you can pay additional contributions. The costs shown on the tables are all monthly amounts, so if you are paid weekly, you will need to work out the annual cost, then the weekly amount.

You decide how many years you would like to spread the cost over. This must be

- A period of at least twelve months
- In whole years
- Starting before age 64 and ending before your 65th birthday

Payments can begin at any time of the year, and you may have more than one contract if you wish. You can choose to stop paying at any time.

The following examples may help you. If you need any further information, please contact the Pensions Helpline. We cannot offer financial advice, but we can discuss your options with you.

Example 1

A 40 year old female member wants to buy extra pension for herself, but not her dependants. Here is the cost of buying £250 of pension, shown over different periods.

- Cost over 1 year: £192.56 a month (less tax relief)
- Cost over 5 years: £42.77 a month (less tax relief)
- Cost over 10 years: £24.52 a month (less tax relief)
- Cost over 20 years: £16.41 a month (less tax relief)
- Cost over 24 years: £15.41 a month (less tax relief)

Should this member choose to purchase £500 of pension and spread the cost over ten years, it will cost her £49.04 a month (less tax relief), which is a total of £5884.80 (less tax relief) over the whole ten years.

Example 2

A 30 year old male member wants to buy extra pension for himself, and also his dependants. Here is the cost of buying £250 of pension, shown over different periods.

- Cost over 1 year: £136.73 a month (less tax relief)
- Cost over 5 years: £30.21 a month (less tax relief)
- Cost over 10 years: £17.18 a month (less tax relief)
- Cost over 20 years: £11.17 a month (less tax relief)
- Cost over 34 years: £9.35 a month (less tax relief)

Should this member choose to purchase £1000 of pension and spread the cost over twenty years, it will cost him £44.68 a month (less tax relief), which is a total of £10723.20 (less tax relief) over the whole twenty years.

How do I set up an ARC contract?

If you decide to go ahead with ARCs, you will need to complete an “Application for Buying Extra Pension”, and return it to the Pensions Office.

You will need to confirm that you are in reasonable good health, and pay to obtain a medical certificate signed by a registered medical practitioner to confirm this. We will send you a medical questionnaire to complete when we receive your application form. Any additional contributions paid before we receive

confirmation of medical clearance, will be refunded and the contract cancelled, should you fail to satisfy the medical requirements.

How do I pay?

You will pay an additional contribution each month to buy your extra pension. Your employer will deduct this contribution from your pay, and if you pay tax, you will automatically receive tax relief.

What happens if I leave the LGPS before my payments finish?

If you retire early on the grounds of ill health your contract may, depending on the level of benefits you become entitled to, be treated as if it had been paid in full and you will be given the extra pension you had agreed to buy.

If you leave the LGPS for any other reason you will be given the extra pension that you have paid for at your date of leaving.

When will my pension be paid?

Normal retirement age in the LGPS is age 65. If you retire before then your benefits, including your extra pension may be reduced.

If you retire after age 65, your benefits in respect of membership up until your 65th birthday, including your additional pension, will be increased as they will be paid for a shorter time.

What happens if I die?

- **Death in service (members who are still contributing to the Scheme) -** If you are paying for additional pension including dependants pension, then your contract will be treated as if it had been paid in full. There is no lump sum death grant payable from your additional contributions. If you are buying extra pension only for yourself, there will be nothing payable from your ARC's contract.
- **Death with deferred benefits (members who have left the Tyne and Wear Pension Fund and have benefits due for payment at age 65) – A** lump sum death grant of five times the extra pension bought, is payable from your ARC's contract. Extra dependants benefits will be payable if they were included in your contract.

- **Death on receipt of pension (retired members)** – If you die before your 75th birthday, a lump sum death grant of ten times your extra pension (less the extra pension already paid to you), is payable from your ARCs contract. Extra dependants benefits will be payable if they were included in your contract.

Where can I find further information?

For more information on the LGPS, including additional regular contributions (ARCS), you can

- Go to our website at www.twpf.info
- Go to the LGPS website at www.lgps.org.uk
- Call our Pensions Helpline on 0191 4244141
- E-mail us at pensions@twpf.info
- Visit us at The Pensions Office, Civic Centre, Campbell Park Road, Hebburn, Tyne and Wear, NE31 2SW

Please quote your National Insurance Number and your Scheme membership number, so we can trace your records quickly.