

Added Pension webinar

For members of the RCPS

Tuesday 16 January 2024

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Agenda



- What is added pension
 - Added pension limits
 - How to pay for added pension
 - How added pension is worked out
 - Examples
 - Added pension for dependants
 - Added pension and annual allowance
 - Deadlines
-
- Questions will be answered via the Q&A



<https://jsspensions.nerc.ac.uk/>

What is added pension?



Additional (extra) pension paid for by the scheme member

The pension age for added pension matches that of the main scheme membership; 60 (classic, premium or classic plus) or 65 (nuvos)

The cost for purchasing added pension is met by the scheme member

However, if a member is being made redundant under the Civil Service Compensation Scheme (CSCS), the redundancy lump sum may be used to purchase added pension

If added pension is purchased, an additional amount of annual pension is credited to the members accrued pension. This added pension is then increased in line with inflation each April (CPI)

Added pension is tax efficient way of saving towards retirement;

- Regular contributions paid through payroll, tax is automatically deducted after additional (and normal) pension contributions taken
- Purchases by cheque or bank transfer, tax relief is not automatic. Members must claim the tax relief themselves with HMRC (via Self-Assessment)

Calculators available on the JSS website; *Members > Increasing Benefits* page

Added pension limits



Upper limit on how much added pension can be purchased

The amount purchased is different to the cost of buying the additional pension

The 2023-24 limits are:

- Nuvos, Premium and Classic Plus - £8,400 per annum
- Classic - £6,800 per annum* (with associated standard lump sum of £20,400)

*For example, the total amount of added pension that a Classic member can buy, through their own added pension contributions, throughout their whole RCPS membership, is £6,800 per annum (they cannot purchase £6,800 p.a. each year)

The 2024-25 limits, with effect from 1 April 2024, are:

- Nuvos, Premium and Classic Plus - £9,000 per annum
- Classic - £7,300 per annum (with associated standard lump sum of £21,900)

Added pension purchased by a compensation payment (if being made redundant from RCPS employer) does not count towards the added pension limit

Added pension does NOT count towards the 75% limit for Nuvos members

How to pay for added pension



Added pension can be purchased by one off lump sum payments and / or regular monthly contributions

Lump sum payments

- Only one lump sum payment by the member, can be made, per scheme year. Scheme years run from 1 April to 31 March
- The minimum lump sum payment is £100
- Lump sums are not possible during the first year of scheme membership

Monthly payments (contributions)

- Regular monthly contributions must start from 1 April in each year. New members can start regular monthly contributions for added pension within three months of joining
- Regular monthly contributions can be set up for any number of scheme years
- Regular monthly contributions can be set as a fixed percentage of pay, or a fixed monetary amount
- The minimum regular monthly contribution is £10 per month (or the percentage equivalent of £10)

How added pension is worked out



The amount credited is based on factors that have been set by our scheme actuary – the Government Actuary’s Department

The added pension factors are specific to the RCPS and depend on whether an individual is a nuvos or non-nuvos member

Added pension factors are provided for lump sum purchases and for regular monthly contributions.

Added pension factors are subject to review. Factors are not gender specific.

For example, the regular monthly contribution factor, for a classic member who will be age 45 at 1 April 2024 is 21.60. Assuming this person pays £100 per month, from April 2024 to 31 March 2025, the amount of added pension purchased for the total contributions of £1200 would be £55.56 per annum (with associated lump sum of £166.68).

- Calculated as: £1,200 divided by the factor 21.60 = £55.56 p.a.

How is added pension worked out



Example 1: Classic member paying £100 a month via payroll deduction



Added pension estimator - for members of classic

Please fill in all of the blue boxes and either one or other of the orange boxes

About you

What is your date of birth? 01/01/1979

What is your gender? male

Are you using Compensation to buy your added pension? No

About your added pension

How do you want to pay for your added pension? monthly contributions

At what age do you expect to draw your added pension? 60

Either: How much do you want to save? £100 per month

Or: How much pension do you want to buy? a year

Your results

Your savings will buy an annual pension of: £55.56

and a lump sum of: £166.67

Enter your details

Choose monthly
contribution here

Enter the amount you
want to pay per month

This is the amount of
pension per annum that
£100 a month (for 12
months) would buy

How is added pension worked out



Example 2: Classic member paying a lump sum of £1200



Added pension estimator - for members of classic

Please fill in all of the blue boxes and either one or other of the orange boxes

About you

What is your date of birth? 01/01/1979

What is your gender? male

Are you using Compensation to buy your added pension? No

About your added pension

How do you want to pay for your added pension? lump sum

At what age do you expect to draw your added pension? 60

Either: How much do you want to save? £1,200

Or: How much pension do you want to buy? a year

Your results

Your savings will buy an annual pension of: £57.44

and a lump sum of: £172.33

Enter your details

Choose lump sum here

Enter the lump sum
amount you want to pay

This is the amount of
pension per annum that
the lump sum would
buy

How is added pension worked out



Example 3: Premium member buying pension of £1,000 per annum by lump sum



Added Pension estimator - for members of classic plus or premium

Please fill in all of the blue boxes and either one or other of the orange boxes

About you

What is your date of birth?

What is your gender?

Are you using Research Councils' compensation to buy your added pension?

About your Added Pension

How do you want to pay for your added pension?

At what age do you expect to draw your added pension?

Either: How much do you want to save?

Or: How much pension do you want to buy? a year

Your results

This pension will cost you:

Enter your details

Choose lump sum here

Enter the amount of
pension you want to
buy

This is how much it will
cost you, as a lump
sum

How is added pension worked out



Example 4: Nuvos member paying £100 a month to buy additional pension for themselves and dependants



Added pension estimator - for members of nuvos

Please fill in all of the blue boxes and either one or other of the orange boxes

About you

What is your date of birth?

What is your gender?

Enter your details

About your added pension

How do you want to pay for your Added Pension? for how many years?

What sort of pension do you want to buy?

Either: How much do you want to save? per month

Or: How much pension do you want to buy? a year

Select monthly
contribution and self +
dependant

Enter the amount you
want to pay per month,
and how many years

Your results

Your savings will buy an annual pension of:

This is how much
pension, per annum
you will buy

Table of examples



Further examples of added pension purchased and what it could increase to assuming CPI at 2.0%.

Figures based on someone born in 1979; in Classic/Premium they will have 15 years to normal scheme pension age (60), and 20 years in Nuvos (65).

Scheme/Type	Type of purchase	Amount paid	Added Pension purchased (p.a.)	Associated pension lump sum	Cost to member	Pension accrued (Note 1)	Pension paid (Note 2)
Classic	Monthly	£100	£56	£167	£1,200	£75	£2,041
Classic	Monthly	£250	£139	£417	£3,000	£187	£5,103
Classic	Lump sum	£1,000	£48	£144	£1,000	£64	£1,759
Classic	Lump sum	£5,000	£240	£718	£5,000	£323	£8,815
Premium	Monthly	£100	£64		£1,200	£86	£2,077
Premium	Monthly	£250	£159		£3,000	£214	£5,193
Premium	Lump sum	£1,000	£55		£1,000	£74	£1,789
Premium	Lump sum	£5,000	£274		£5,000	£368	£8,944
Nuvos (self only)	Monthly	£100	£84		£1,200	£124	£3,015
Nuvos (self only)	Monthly	£250	£209		£3,000	£310	£7,538
Nuvos (self only)	Lump sum	£1,000	£72		£1,000	£107	£2,596
Nuvos (self only)	Lump sum	£5,000	£359		£5,000	£534	£12,978

Note 1 - Pension accrued to Normal Pension Age assuming annual revaluation of 2.0% (based on CPI). Added pension purchased in 2024 scheme year

Note 2 - Assumes pension in pay for 20 years from normal scheme pension age, with annual increases based on CPI of 2.0%. Includes automatic pension lump sum for Classic members

Contributions paid through payroll automatically attract tax relief; this is not factored in to 'cost to member'.

Added pension for dependants



The appropriate proportion of added pension purchased by Classic, Premium and Classic Plus members automatically applies for dependants' benefits.

For example, a classic member's surviving spouse's pension is normally 50% of pension accrued. If a classic member purchases £2,300 per annum of added pension, if a surviving spouse's pension is payable, the surviving spouse's pension would have £1,150 per annum of added pension included

The added pension proportion applicable for a surviving spouse or partner, for nuvos, premium and classic plus members is normally 37.5%. For example, if a nuvos member purchases £2,300 per annum of added pension, the spouse or partner pension would have £862.50 per annum of added pension included.

Nuvos members can chose whether to purchase added pension for just themselves, or whether they want added pension for 'self and dependants'. The choice will impact the level of added pension credited.

Added pension and Annual Allowance



Added pension purchased counts towards pension savings for Annual Allowance (AA) purposes

The AA for 2023-24 is £60K. If added pension has been purchased, as long as there is unused allowance (albeit in year of purchase, or from carried forward 'unused allowance') no annual allowance tax charge would be due

Example 1: if nuvos pension accrued at 5 April 2022, inclusive of added pension (if purchased), was £9000 per annum, and it was then £12,000 at 5 April 2023, pension savings are deemed to be £48,000

- Calculated as follows: $(£12000 \text{ less } £9000) \times 16 = £48,000$

Example 2: if £3K of added pension is also purchased during 2022-23, the pension savings would be £96,000

- Calculated as follows: $(£15000 \text{ less } £9000) \times 16 = £96,000$

If there was insufficient unused allowance from the previous 3 years, an annual allowance tax charge would be due.

The tax charge can be paid through Scheme Pays, where we pay the tax on the members behalf and reduce their pension.

Deadlines, forms and more information



Buying added pension by lump sum this scheme year (1 Apr 2023 to 31 Mar 2024):

- Paying through payroll, application form to JSS by **9 Feb 2024**
- Paying by bank transfer, application form and payment to JSS by **16 Feb 2024**

Buying added pension by monthly contribution for 2024 scheme year; effective from 1 Apr 2024. Application form to JSS by **8 Mar 2024**

Late applications will not be accepted

Added Pension reminder 2024: <https://jsspensions.nerc.ac.uk/docs/added-pension-reminder-2024.pdf>

Added Pension calculators: <https://jsspensions.nerc.ac.uk/members/increasing.asp>

Added pension further information: <https://jsspensions.nerc.ac.uk/members/increasing.asp>

Thank you

- Email questions to memberships@jss.ukri.org
- We will upload a recording of this to our website, with these slides

Research Councils' Pension Scheme

<https://jsspensions.nerc.ac.uk/>