



Forces Pension Society Factsheet

Added Pension Q&A



It is never too early to save extra for retirement, and AFPS15 makes it easy for you to improve your pension by purchasing Added Pension. So each day this week we give you answers to some common questions about the Added Pension provision under AFPS15.

Q. Surely buying Added Pension will tie us in to extra payments for years?

A. No. Unlike the AFPS 75 or AFPS 05 Added Years contracts, which committed members for the duration of their service, each AFPS 15 Added Pension contract lasts up to a year. Contributions can be as little as a £300 lump sum or £25 per month if the member prefers to pay by instalments throughout the year. You decide what you can afford – and remember, because it comes out of pay before tax, it reduces your tax liability. If the member is a basic rate tax payer, and the contribution totals £1,000, they will, effectively, pay only £800 for the Added Pension as their tax bill will be reduced by £200.

Q. What does it enhance?

A. That is up to you. Contributions can either boost just the member's pension or those of their dependants too. Obviously, if it is to boost the member's pension AND those of his or her dependants, the cost will be greater as more is being enhanced. Whichever is chosen, the cost can be met by instalments or as a single lump sum.

Q. Is there a limit?

A. Yes – £8,520* is the total overall amount of Added Pension that may be purchased. However, that would cost between £80K and £120K!

Q. "Between £80K and £120K" sounds a bit imprecise. Why so?

A. What a contribution will buy depends upon other factors, not only what is to be enhanced. Other things that can make a difference to the cost are the member's age when the contribution is made, his or her State Pension Age and whether the contribution is by lump sum or by monthly instalments. It also makes a difference whether you enter into the contract at the beginning of the contract year or part way through. The last time we looked at the Added Pension cost factors, there were over a dozen assumption tables!

***Any figures correct at time of writing – September 2024**



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Q. What are the pros?

A. Added Pension offers value for money; The commitment is short term – each contract lasts only a year. What may be affordable one year may be unaffordable the next. The fact that the contract lasts only a year gives you the flexibility to respond to all your other commitments; Purchasing Added Pension is tax efficient as contributions comes from pay before tax, thus reducing the member's tax liability; Increasing the pension will improve Early Departure Payment (EDP) benefits. This is because the EDP lump sum is worth 2.25 times the deferred pension and the EDP income is at least 34% of the deferred pension – and the deferred pension includes the Added Pension element; Members do not have to have the expectation of service to the scheme's Normal Pension Age (or to any other specific point of service) to enter into an Added Year contract; The Added Pension element increases each year by the Consumer Price Index.

Q. What are the cons?

A: You cannot take the money out of the scheme as a cash lump sum; If a pension increases too much in one year HMRC's Annual Allowance could be breached. Breaching the Annual Allowance results in an in-year tax bill; You must weigh the cost against your other financial commitments.

Q. What happens to any Added Pension if the member transfers back to AFPS75 or AFPS 05?

A. Some of you may have been transferred to AFPS 15 from AFPS 75 or AFPS 05 under the AFPS15 Remedy (McCloud). The Remedy contains plans to ensure that those who purchased Added Pension under AFPS 15 rules and then transfer back to AFPS 75/05 would have the value credited to them.

Q. What if the member is due to leave the Royal Air Force next year, for example. Will that prevent the purchase of Added Pension?

A. No – as the contract runs for only one year at a time, and as the purchase may be made by instalment or lump sum, the Added Pensions arrangements still work.

Q. How do I apply?

A. Submit an AFPS Form 6 to obtain a quote. Getting a quote does not commit you to entering into an Added Pension contract – it is only if you like what you see and apply on an AFPS Form 6A that you enter into the contract. These forms are available on JPA or you can find them here at [this link](#), or go to Gov.UK Armed Forces Pensions

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