



Forces Pension Society Factsheet

Added Pension



Nobody ever complains that they have too much money in retirement, and it is never too early to think about improving your retirement income. Here we set out the basics about AFPS 15 Added Pension provisions and how to get a quote.

AFPS 15 allows members to purchase Added Pension by means of a contract which lasts up to a year. If you wish to continue making added contributions, you need to renew the contract annually. Contributions can be as little as a £300 lump sum or monthly instalments of £25 per month. This short commitment period, and the option to pay by lump sum, means that even if you are thinking of leaving shortly, you are not excluded.

The 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 their dependants, the cost will be greater as more is being enhanced. The cost depends upon various factors, for example:

- what is to be enhanced and by how much
- the member's age when the contribution is made
- when in the 'contract year' the contract begins
- their State Pension Age (SPA)
- whether the contribution is by lump sum or by monthly instalments

The last time we looked at the Added Pension cost factors, there were over a dozen assumption tables!

Using the 2024 cost factors, the following is a simple example of someone who joined the Armed Forces at age 20 and takes out an Added Pension contract at age 38 to purchase £100 per year of Added Pension payable from SPA. Their age on joining, their age at the point of purchase and their SPA (currently 68 in this case) have a bearing on the cost:



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If the member's benefits only are enhanced the cost would be £1,566 as a lump sum or £133 per month for 12 months.

If the member's and the dependants' benefits were enhanced the cost would be £1,687 as a lump sum or £144 per month for 12 months.

This £100 purchase will then rise by the Consumer Price Index each year thereafter.

The benefits include:

- Providing value for money.
- Flexibility as the commitment can be short term.
- Tax efficiency, as contributions come from pay before tax.
- Increasing the AFPS 15 pension will improve Early Departure Payment benefits.
- The sum is guaranteed and not subject to stock market fluctuations.

But remember:

- 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.

It is easy to obtain a quote. Simply submit an AFPS Form 6 to Veterans UK. There is no commitment at this stage – it is only when the AFPS Form 6A application is submitted that the contract begins.

These forms are available at

<https://www.gov.uk/guidance/veterans-uk-armed-forces-pensions-forms>.

If you are a member of the Forces Pension Society and would like further information on the effect of Added Pension on your Armed Forces pension benefits please contact us. If you are not a member and would like to join, please visit our website at www.forcespensionsociety.org