

Armed Forces Pension Scheme 2015

AFPS 15 – Added Pension Explained

April 2024

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1. Introduction

The Armed Forces Pension Schemes provide a retirement income for you and your dependants and are designed to take account of the unique nature of Service life.

This booklet will tell you the key details you need to know about purchasing Added Pension within the Armed Forces Pension Scheme 2015 (AFPS 15). It will not cover the repurchase of added pension or additional voluntary contributions in the legacy schemes that may be possible because of the 2015 Pension Remedy. For more information on these, please refer to the 2015 Pension Remedy Members Voluntary Contributions Fact Sheet available on the [AFPS.gov.uk webpage](http://AFPS.gov.uk).

We have tried to make this booklet as easy to read as possible but occasionally unfamiliar terms are necessary so to assist a list of commonly used technical terms is provided at Appendix 1.

Importantly, this guide is for general use and cannot cover every personal circumstance. It is provided for information purposes only and nothing in this guide can override the Scheme's rules. Every effort has been made to make this guide as accurate as possible, but in the event of any difference, the rules will apply.

If you have any queries about AFPS 15, you can refer to [JSP 905 – Armed Forces Pension Scheme 2015](#).

2. Eligibility and Benefits

As a member of AFPS 15, you may buy one Added Pension contract per scheme year from your first day of paid service until you leave the Armed Forces. A scheme year runs from 1 April to 31 March. Once you retire, Added Pension is paid to you at the same time as your AFPS 15 pension; either at the Deferred Pension Age, which is the same as your State Pension Age or immediately, if you serve to age 60.

There are 2 types of Added Pension contracts:

- Added Pension (member) - this will increase your retirement benefits, but not those of your dependants after your death.
- Added Pension (member and dependants) - this will increase both your own retirement benefits and your dependants' benefits.

NB. You can only take out one Added Pension contract per year, but you may choose different types of contracts in different scheme years.

If you qualify for an Early Departure Payment (EDP) at the point of leaving the Armed Forces, any Added Pension you have purchased will be included when calculating your EDP benefits for both your monthly payments and lump sum amount. See example 5 at Chapter 9 for an explanation of this. To qualify for EDP under AFPS 15, you must have served for 20 qualifying years and be at least 40 years of age.

If your AFPS 15 pension is paid early due to ill-health, your Added Pension will also be paid immediately alongside any ill-health pension, without any reductions.

The cost of an Added Pension contract changes each year and is calculated using factors provided by the Government Actuary's Department. The cost of an Added Pension Contract depends on:

- The age you joined the Armed Forces.
- The age at which you are purchasing Added Pension.
- Your State Pension Age.

Any Added Pension you have purchased is revalued every year in line with the Consumer Price Index (CPI). This is different from your AFPS Pension which is revalued annually in line with the Average Wage Earnings index while serving and with CPI when in payment.

You will receive tax relief on your Added Pension contributions, but the pension benefits you eventually receive will be subject to the same tax rules as your AFPS 15/ EDP 15 benefits. If you leave the Armed Forces before you have completed two calendar years qualifying service, you will receive a refund of your Added Pension contributions.

3. Payment Choices

Only one Added Pension contract can be taken out per scheme year. You can choose to pay your Added Pension contributions either by monthly deductions from your salary or by making a lump sum payment. You will not be able to make both monthly contributions and a lump sum payment in the same scheme year. Each added pension contract only lasts for one scheme year.

When applying to buy Added Pension you do so either by specifying the amount of Added Pension you wish to receive in retirement, or the amount of your personal contribution (both are subject to limits). Some indicative examples illustrating the contributions that might be required to purchase an additional £100 of Added Pension can be found at Chapter 9. To get a quote for your own specific situation, follow the instructions in Chapter 7.

Any Added Pension contract purchased part way through a scheme year will end at the end of that scheme year. You may cancel your Added Pension contract at any time, but if you do, the Added Pension you receive in retirement will only reflect the contributions you have made. If you choose to stop your monthly contribution part way through a scheme year, you will need to wait until the next scheme year to take out a new Added Pension contract.

4. Maximum Amount of Added Pension

The amount of Added Pension you can purchase throughout your public service career is subject to HM Treasury limits; the maximum amount of Added Pension that you can purchase was capped at £6,500, but from the 1 April 2024 this will increase to £8571.21. This limit will normally increase annually in line with inflation; however, it is also subject to any changes that HMT may deem necessary in future. Changes in the limits will be advertised at the start of each scheme year via a JPA Operational Bulletin. Please note that the current £8571.21 limit refers to the maximum amount of Added Pension you can receive each year in retirement – it does not refer to the maximum value of contributions you can make.

5. Minimum Contribution

As well as a maximum, Added Pension contracts are also subject to minimum payments. The minimum payment made over the year must equal £300 (for example 12 monthly payments of at least £25, or a single payment of at least £300). If you start payments mid-way through a year, your remaining monthly payments must combine to meet the £300 minimum.

6. Tax Awareness

Added Pension contributions taken directly from salary are deducted before income tax is calculated, however those who purchase Added Pension with a lump sum must reclaim the

income tax relief direct from HMRC. This can be completed via self-assessment tax return or, if you do not complete self-assessment, by contacting [HMRC](#). Personnel who purchase Added Pension should be aware that any increase to their pension will be subject to existing Annual Allowance limits (as of tax year 2023/24 this limit is £60,000). It is an individual's responsibility to manage their own tax dealings; prior to entering into an Added Pension contract personnel are advised to seek their own financial advice. Further information on the Annual Allowance and pension savings tax can be found in the MOD Pension Tax Booklet available on the gov.uk webpage.

7. Purchasing Added Pension

To purchase Added Pension, you must request a quote from DBS using AFPS Form 6, indicating either the amount of added pension you wish to buy or the amount you want to pay. You will also need to state if this is just for yourself or for you and your dependants, and whether you intend to pay monthly or in a single premium (lump sum). DBS will then make the relevant calculation and tell you either the amount of the personal contribution required or the amount of Added Pension your stated contribution will purchase. You can submit one quote request for yourself and yourself and dependents per scheme year.

Once you have received the quote you must then apply to take out the Added Pension contract using AFPS Form 6A. This will be enclosed with your quote, but you can obtain AFPS Form 6 and 6A via both MODNET and the gov.uk website:

Internet: <https://www.gov.uk/government/publications/service-personnel-and-veterans-agency-spva-pensions-forms>

MODNET: <https://modgovuk.sharepoint.com/sites/IntranetDBS/SitePages/jpa-digital-forms.aspx> (will not open from a non MODNET connected device)

Please note:

- If using the MODNET digital service, the form will be submitted electronically.
- If completing the form from the gov.uk website you should send the completed form to DBS Veterans UK, Pensions Team MP480, Kentigern House, 65 Brown Street, Glasgow, G2 8EX.

If paying for Added Pension through payroll, this will be done automatically. If paying by cheque, this should be made payable to 'The Accounting Officer MOD' and submitted with the completed AFPS Form 6A. If paying by BACS Transfer, DBS will advise you of the account details.

8. Your Added Pension Quote

Your quote will show either the amount of added pension your contribution will purchase or how much your specified amount of added pension will cost you, expressed both as a lump sum and a monthly contribution.

For example, if you have specified a contribution amount and your quote tells you this will purchase £100 of added pension, this means your AFPS 15 pension would be increased by £100 each year it is in payment. This increase would also enhance your EDP should you be entitled. Chapter 9 expands on this with some indicative examples.

9. Added Pension – Indicative Examples

The examples below are indicative of the contributions necessary to purchase £100 of Added Pension in retirement. You are free to choose the amount of added pension to purchase provided it is within the HMT limit.

The actual values will depend on your specific circumstances. To obtain your personal quote, you must follow the process outlined in Chapter 7.

The current limit is £8571.21 a year in retirement, i.e. if purchasing Added Pension in multiples of £100 as shown in the examples, you would be restricted to purchasing 85 multiples of £100 throughout your career.

The examples are based on the purchase of £100 of added pension for simplicity and align with the factors which are set to a premium of £100. For guidance on the factors, if it costs £136 a month to buy £100 added pension, it will cost 2.5 times that to buy £250, so £340.00. The same method applies to single premiums. If it costs £1885 to buy £100 added pension, it costs 2.5 times that to buy £250, so £4,712.50 in this case. The factor tables used to make the calculations are detailed in the examples.

You can check your State Pension Age at <https://www.gov.uk/calculate-state-pension>.

EXAMPLE 1

A member wishes to purchase £100 of Added Pension (member benefits only) by monthly contributions.

The member's State Pension Age is 68.

The member joined the Armed Forces at age 21.

The member is buying Added Pension at age 30.

The contract is for monthly contributions of £136 per month: (12 x £136 payments taken from salary over the year, a total of £1632). The member will then receive an additional £100 a year when their pension comes into payment.

If they leave having qualified for an EDP at the age 40 / 20 year's service point:

- Their tax free EDP lump sum will be enhanced by 2.25 x the Added Pension (£100) = £225
- The annual EDP income stream will be enhanced by 34% of the Added Pension (£100) = £34 extra per annum.
- The EDP is paid until the pension comes into payment at age 68.

Note:

The £100 will be uprated by CPI each year the pension is accruing.

Factor taken from table 1314

https://assets.publishing.service.gov.uk/media/65cde5051d9395000c9466c7/AFPS_Consolidated_Factors_2023-24.ods

EXAMPLE 2

A member wishing to purchase £100 of Added Pension (member and dependant benefits) by monthly contributions.

The member's State Pension Age is 68.

The member joined the Armed Forces at age 25.

The member is buying Added Pension at age 35.

The contract is for monthly contributions of £156 per month: (12 x £156 payments taken from salary over the year, a total of £1872). The member will then receive an additional £100 a year once their pension comes into payment.

If they leave having qualified for an EDP at the age 40 / 20 years service point:

- Their tax free EDP lump sum will be enhanced by 2.25 x the Added Pension (£100) = £225.
- The annual EDP income stream will be enhanced by 34% of the Added Pension (£100) = £34 extra per annum.
- The EDP is paid until the pension comes into payment at age 68.

Note:

The £100 will be uprated by CPI each year the pension is accruing.

Factor taken from table 1316

https://assets.publishing.service.gov.uk/media/65cde5051d9395000c9466c7/AFPS_Consolidated_Factors_2023-24.ods

Dependants' pensions are calculated as 62.5% of the member's total AFPS 15 pension (including Added Pension (member and dependants)). Where the dependant is eligible to receive a lump sum that is derived from the pension, the lump sum will also be calculated taking the Added Pension (member and dependants) into account.

EXAMPLE 3

A member wishes to buy £100 of Added Pension (member benefits only) by paying a single lump sum.

The member's State Pension Age is 67.

The member joined the Armed Forces at age 21.

The member is buying Added Pension at age 40.

The contract is for a single lump sum payment of £1885.

The member will then receive an additional £100 a year once their pension comes into payment. If they leave having qualified for an EDP at the age 40 / 20 years service point:

- Their tax free EDP lump sum will be enhanced by $2.25 \times$ the Added Pension (£100) = £225.
- The annual EDP income stream will be enhanced by 34% of the Added Pension (£100) = £34 per annum.

The EDP is paid until the pension comes into payment at age 67.

Note:

The £100 will be updated by CPI each year the pension is accruing.

Factor taken from table 1309

https://assets.publishing.service.gov.uk/media/65cde5051d9395000c9466c7/AFPS_Consolidated_Factors_2023-24.ods

EXAMPLE 4

A member wishes to buy £100 of Added Pension (member and dependant) by a single lump sum.

The member's State Pension Age is 67.

The member joined the Armed Forces at age 23.

The member is buying Added Pension at age 45.

The contract is for a single lump sum payment of £2139.

- The member will then receive an additional £100 a year once their pension comes into payment.

If they leave having qualified for an EDP;

- Their tax free EDP lump sum will be enhanced by 2.25 x the Added Pension (£100) = £225.
- The annual EDP income stream will be enhanced by 34% of the Added Pension (£100) = £34 extra per annum.

The EDP is paid until the pension comes into payment at age 67.

Note:

The £100 will be uprated by CPI each year the pension is accruing.

Factor taken from table 1311

https://assets.publishing.service.gov.uk/media/65cde5051d9395000c9466c7/AFPS_Consolidated_Factors_2023-24.ods

Dependants' pensions are calculated as 62.5% of the member's total AFPS 15 pension (including Added Pension (member and dependants)). Where the dependant is eligible to receive a lump sum that is derived from the pension, the lump sum will also be calculated taking the Added Pension (member and dependants) into account.

EXAMPLE 5

This example gives an indication of how Added Pension affects the EDP benefits paid on leaving the Armed Forces.

Assuming that a member qualifies for an EDP and leaves at the 20/40 point with a deferred pension, paid at State Pension Age, of £10,000pa.

- An individual who had not purchased any Added Pension would receive the standard EDP which consists of;
 - an EDP lump sum of $2.25 \times \text{the pension} = \text{£}22,500$
 - an annual income stream of 34% of the pension = £3,400

If the same individual had purchased an additional £1,000 of Added Pension* they would receive a deferred pension (plus Added Pension), paid at State Pension Age of £11,000 (£10,000 + £1,000).

- The individual who had purchased £1,000 of Added Pension will receive an enhanced EDP which consists of;
 - an EDP lump sum of $2.25 \times (\text{the pension} + \text{Added Pension}) = \text{£}24,750$
 - an annual income stream of 34% of (the pension + Added Pension) = £3,740

10. Appendix 1 – Technical Terms

Added Pension	Added Pension is an amount of extra annual pension that you can buy. This is done in order to increase either your retirement benefits and/or your dependants' benefits.
Annual Allowance	The limit on what can be added each tax year to the value of the pension without tax charge. The rule is that, when added together, the increase in the value of an individual's pension savings in any input period may not exceed the Annual Allowance. Any amount over the Annual Allowance is taxed at 40%, which is due as a lump sum when the tax liability is calculated.
Armed Forces Pension Scheme 15 (AFPS-15)	The Pension Scheme for Regular and Reserve Service personnel who join the Armed Forces from 1st April 2015.
Consumer Price Index (CPI)	This measures the change in price levels in the UK. It is the method currently used to increase the value of pensions in April every year.
Dependants	A Scheme member's spouse, civil partner, eligible partner, or eligible children.
Early Departure Payment (EDP) Scheme	A payment made to members of AFPS 15 who leave the Regular Armed Forces before age 60, after a minimum of 20 years' qualifying service AND who are at least age 40.
Member	An individual who has joined AFPS 15 and is earning benefits under the Scheme (active member), has a deferred pension under the Scheme (deferred member), or is receiving a pension from the Scheme (pensioner member).
Normal Pension Age	The earliest age at which a person is entitled to an unreduced pension payable immediately on leaving Service. The Normal Pension Age for AFPS 15 is 60.
Pension Pot	Your pension pot is the total amount of pension contributions that your employer has made to save for your retirement.
Qualifying Service	Qualifying service refers to the amount of time you have been a member of AFPS 15. It is the calendar days that you are in receipt of pensionable earnings or assumed earnings in AFPS 15, e.g. if you worked one day a week for two years, your qualifying service would still be two years. As the name suggests, qualifying service qualifies you for certain benefits.
Scheme Year	A 'Scheme Year' runs from 1 April to 31 March

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Content produced by MOD Defence People- Armed Forces Pension Scheme Team

Published by the Ministry of Defence UK

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