



# LGPS 2014 HR Guide

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## About this guide

This guide sets out the requirements for Human Resource (HR) departments of employers who provide the Local Government Pension Scheme (LGPS) in England and Wales. It does not cover councillor pensions in the LGPS.

The guide provides information about the responsibilities and duties that an employer participating in the LGPS must undertake, as well as the minimum information an employer needs to supply to the relevant LGPS administering authority to enable them to administer the LGPS effectively.

This guide is provided in addition to, and does not replace, any requirements agreed with the LGPS administering authority.

## Reform of the LGPS

As part of wider public service pension reforms, significant changes were made to the LGPS in England and Wales from 1 April 2014. The most significant changes were:

- the change from a final salary scheme to a career average revalued earnings scheme
- the Normal Pension Age (NPA) changed from age 65 to State Pension age (with a minimum of 65). NPA is the age at which a member can take their pension benefits without a reduction for early payment.

In this guide we refer to the career average scheme as ‘the 2014 Scheme’ and the final salary pension scheme as ‘the 2008 Scheme’.

Employees who were active members of the 2008 Scheme on 31 March 2014 automatically became active members of the 2014 Scheme on 1 April 2014 (if they were still employed). Scheme membership up to 31 March 2014 was protected as final salary membership and further protections were put in place for members who were within 10 years of the 2008 Scheme NPA (normally age 65) at 1 April 2012, when the reforms were agreed.

## 1. Who can join?

Employees who have access to the LGPS are:

- employees of scheduled bodies, ie employers who have to provide the LGPS for their eligible employees. Scheduled body employers are listed in [Part 1 of Schedule 2 of the LGPS Regulations 2013](#). They include, among others, district, county and unitary councils, London Boroughs and academies
- employees of designation bodies whose employer has chosen to designate them, or a class of employees to which they belong, as being eligible for membership of the Scheme. Designated bodies are listed in [Part 2 of Schedule 2 of the LGPS Regulations 2013](#).
- employees of admission bodies whose employer has designated them, or a class of employees to which they belong, as being eligible for membership of the Scheme under the terms of the admission agreement the employer has with the LGPS administering authority and
- employees of other bodies who are deemed, for the purposes of the LGPS, to be in the employment of a scheduled, admission or designation body.

Some employees may not be LGPS members:

- employees aged 75 or over
- those employed by an admission body who are members of another occupational pension scheme in the employment

- employees eligible for membership of another public sector pension scheme (although there are some with dual eligibility for the LGPS and National Health Service Pension Scheme (NHSPS), and
- those eligible for membership of the Armed Forces Pension Scheme whilst on reserve forces service leave can elect to their Scheme employer to remain in the LGPS).

If a person is eligible for membership of the LGPS, that person is contractually enrolled into the LGPS from the first day of employment or the first date they become eligible, if later, providing they have a contract of employment for at least three months.

A person who is eligible for membership of the LGPS and who is employed under a contract of employment of less than three months is to be enrolled on their 'automatic enrolment' date. This means that an 'eligible jobholder' with a contract of less than three months would join the LGPS on the first day of employment unless the employer issues a 'postponement notice' delaying the 'automatic enrolment date'. 'Non-eligible jobholders' and 'entitled workers' with contracts of less than three months would not be contractually enrolled on commencement but if they subsequently became an 'eligible jobholder' under that contract and are eligible for membership of the LGPS they would be enrolled from the first day of the 'pay reference period' in which they first became an 'eligible jobholder' by reason of their earnings, or from age 22 if they first became an 'eligible jobholder' on attaining that age. An employer could issue a 'postponement notice' delaying the 'automatic enrolment date'.

By issuing a 'postponement notice' employers can exclude such employees from the LGPS. However, any employee who is not in the Scheme but is eligible for membership of the LGPS has the right to opt into the LGPS at any time. If the employee does so, they would be brought into the Scheme on the first day of the payment period following the date they submit their election to join the Scheme to their employer.

If a person employed under a contract of less than three months has that contract extended to be for three months or more and they have not already joined the LGPS they should be brought into the Scheme on the first day of the payment period following the extension to the contract of employment.

NB: The terms in quotation marks in the text above all relate to automatic enrolment and are defined in the Pensions Act 2008.

For more information on automatic enrolment and the LGPS, including a definition of the terms used above, please read the 'Automatic enrolment – Technical Guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

## 2A. New Starters

On commencement of employment, all new employees who are contractually eligible for membership of the Scheme and who have a contract of employment of three months or more should be made members of the main section of the 2014 Scheme.

The rules for those with a contract of employment of less than three months are set out in [section 1](#).

The 2014 Scheme contains two sections, the main section and the 50/50 section. Please see [section 8](#) for more information about the two sections of the Scheme.

A person cannot elect to join the 50/50 section of the Scheme before becoming a member of the main section of the 2014 Scheme. So, for example, a new starter with a contract of employment of three months or more could not opt for the 50/50 section before commencement of employment; but they could elect on or after starting. If they do so before the first payroll is closed, they can be brought into the 50/50 section from their first day of employment.

The employer must notify the payroll administrator about the new member. The employer will need to confirm the relevant section, main or 50/50 and the appropriate contribution rate. It will not be necessary to inform payroll of the member's contribution rate if allocating a member to the appropriate band has been automated. The employer must also notify the LGPS administering authority about the new member. If the member has joined the 50/50 section, the administering authority may require a copy of the election to join the 50/50 section.

Under Disclosure of Information legislation, basic information about the Scheme must be provided by the LGPS administering authority:

- a) automatically to prospective members (ie those people who are about to take up employment), if it is practicable to do so, and
- b) automatically to new members if not already provided under (a), and
- c) on request to existing members (if they have not already been given the information in the last 12 months).

For those falling within (a) or (b) the information must be provided within two months of joining the LGPS. For those falling within (c) the information must be provided

within two months of the request being made. If a person has become a member as a result of overriding automatic enrolment provisions (under the Pensions Act 2008), this time limit is amended to six weeks from the date the LGPS administering authority receives the jobholder information from the employer. The employer must provide the jobholder information to the LGPS administering authority within six weeks of a person becoming a member under the automatic enrolment provisions of the Pensions Act 2008. There are significant fines for non-compliance.

The contribution rate bands for 1 April 2020 to 31 March 2021 are shown in the table below. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job, or at half that rate if the employee is in the 50/50 section.

If a person holds more than one employment and these are treated as separate jobs. Each job and the pensionable pay from that job is assessed separately when determining the contribution rate for each job. One job could have a rate of 5.8% and the other a rate of 6.5%. If the employer determines that a single employment relationship exists (see [section 7](#)) then the pay from each job should be combined to determine the single contribution rate.

**Table 1: member contribution rates 2020/21**

<b>Band</b>	<b>Actual pensionable pay for an employment</b>	<b>Main section member contribution rate</b>	<b>50/50 section member contribution rate</b>
1	Up to £ 14,600	5.5%	2.75%
2	£ 14,601 to £ 22,800	5.8%	2.90%
3	£ 22,801 to £ 37,100	6.5%	3.25%
4	£ 37,101 to £ 46,900	6.8%	3.40%
5	£ 46,901 to £ 65,600	8.5%	4.25%
6	£ 65,601 to £ 93,000	9.9%	4.95%
7	£ 93,001 to £ 109,500	10.5%	5.25%
8	£ 109,501 to £ 164,200	11.4%	5.70%
9	£ 164,201 or more	12.5%	6.25%

The pensionable pay bands are increased each year in line with the cost of living, if it is greater than zero. The contribution rates will be reviewed periodically and may change in the future.

The employer must determine the appropriate contribution rate by estimating the annual equivalent of the actual pay to be received in a full Scheme year (1 April to

31 March). The contribution rate is not based on the full-time equivalent salary. The employer can use one of the following to estimate the annual actual pay:

- the annual rate of contractual pay
- the annual rate of contractual pay plus an estimate of the pay for non-contractual overtime or hours worked in excess of the contractual hours which might be worked in a full year
- the hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
- the weekly contractual rate multiplied by 52.143 (or whatever multiplier an employer deems appropriate)
- the weekly contractual rate multiplied by 52.143 (or whatever multiplier an employer deems appropriate) plus an estimate of other pensionable payments to be made in a full year.

Each employer should assess the appropriate rate in a reasonable and consistent manner.

Allocating employees to an appropriate band is relatively straightforward where the employee is not expected to undertake any additional hours or overtime. However, it is less straightforward where the number of hours an employee may work in a year is not known.

Where an employee with part-time contractual hours is likely to undertake a number of additional hours in excess of their contractual hours, the employer could:

- a) use one of the methods in the first and fourth bullet points above, ie place the employee in the band applicable to their contractual hours only and subsequently review the band allocation at an appropriate time (see [section 10](#)), or
- b) use one of the methods set out in the second, third or fifth bullet points above, perhaps taking account of the hours worked by the previous holder (if any) of the post, and subsequently review the band allocation at an appropriate time (see [section 10](#)).

The advantage of option (a) is that it is less likely to lead to an appeal by the employee against the band to which they have been allocated. The employer can, in any case, review the band allocation at a later date and reallocate to a new band, as appropriate (see [section 10](#)). The disadvantage of option (a) is that for a period it can result in a lesser contribution being collected from an employee's pay than the actual hours eventually worked might have warranted. However, the size of this 'loss' to the pension fund, which would become a cost to the employer, can be controlled by the

employer undertaking a periodic review of the contribution banding (see [section 10](#)). There is nothing in the 2014 Scheme regulations that would stop an employer retrospectively changing the contribution banding and recovering the underpaid contributions from the employee's pay. This might lead to complaints and / or appeals from disgruntled employees.

The advantage of option (b) is that it results in a contribution rate that the employer deems reasonable based on the number of hours that they expect employee will work. It could result in a higher or lower contribution rate than the actual hours eventually worked might have warranted. This could result in an appeal by the employee against the band to which they have been allocated. If the employee works more hours than expected, this could result in a 'loss' to the pension fund which would become a cost to the employer. The employer could reallocate to the correct band following a successful appeal. The employer could undertake a review of the contribution banding from time to time (see [section 10](#)) regardless of whether there had been an appeal.

Matters become more complicated with employees who have no contractual hours of employment eg casual employees, or employees on zero hours contracts. In these cases, employers will need to:

- a) make a reasonable initial assessment of the number of hours the person is likely to work on an annual basis, perhaps taking account of the hours worked by the previous holder (if any) of the post, and subsequently review the band allocation at an appropriate time (see [section 10](#)), or
- b) allocate the employee to the lowest band (5.5%) and subsequently review the band allocation at an appropriate time (see [section 10](#)), or
- c) allocate the employee to the 6.5% band (on the basis that this is the average contribution rate for Scheme members) and subsequently review the band allocation at an appropriate time (see [section 10](#)).

The advantage of option (a) is that it results in a contribution rate that the employer deems reasonable based on the number of hours the employer expects that the employee will work. It could result in a higher or lower contribution rate than the actual hours eventually worked might have warranted. This could result in an appeal by the employee against the band to which they have been allocated. If the employee works more hours than expected, this could result in a 'loss' to the pension fund which would become a cost to the employer. The employer could reallocate to the correct band following a successful appeal. The employer could undertake a review of the contribution banding from time to time (see [section 10](#)) regardless of whether there had been an appeal.

The advantage of option (b) is that it is less likely to lead to an appeal by the employee against the band to which they have been allocated. The employer can review the band allocation at a later date and reallocate to a new band, as appropriate (see [section 10](#)). The disadvantage of option (a) is that for a period it can result in a lesser contribution being collected from an employee's pay than the actual hours eventually worked might have warranted. However, the size of this 'loss' to the pension fund, which would become a cost to the employer, can be controlled by the employer undertaking a periodic review of the contribution banding (see [section 10](#)). There is nothing in the 2014 Scheme regulations that would stop an employer retrospectively changing the contribution banding and recovering the underpaid contributions from the employee's pay. This might lead to complaints and / or appeals from disgruntled employees.

The advantage of option (c) is that it delivers the expected average contribution rate for Scheme members on which the LGPS 2014 has been costed. The disadvantage is that it is more likely to lead to an appeal if the member believes their pay falls within a lower band. The employer could retrospectively amend the band allocation following the appeal determination if it turns out that the employee should have been placed in a lower band. Placing the member in the 6.5% band could result in a lesser contribution being collected from an employee's pay for a time than is warranted by the actual hours worked (if the employee's pay turns out to fall within a higher band). The employer could undertake a review of the contribution banding from time to time (see [section 10](#)) regardless of whether there had been an appeal.

Once the employer has determined an appropriate contribution rate individually or by an automated process, they must notify the employee of:

- the contribution rate to be deducted from the employee's pensionable pay and
- the date from which the rate is payable

as soon as is reasonably practicable. The employer may decide how to notify the employee, but the notification must:

- contain a conspicuous statement telling the member where they can get further information about the decision
- notify the employee of the right to appeal to an adjudicator against the decision
- notify the employee that any appeal must be lodged within six months of being notified of the initial decision, or such longer period as the adjudicator allows

- set out the job title and address of the adjudicator (ie the person the employer has appointed to consider appeals) and
- notify the employee that, if they are unhappy with the adjudicator's decision, they have the right to ask the administering authority, within six months of the adjudicator's decision, to undertake a further review of the decision.

On commencement, the employee should be asked to declare any previous pension rights. The process for this should be agreed with the LGPS administering authority. It is important that the employee provides the relevant information. Failure to do so could jeopardise certain pension protections they may have under the Public Service Pensions Act 2013 and / or the rules of the LGPS.

## **2B. Existing employees on 31 March 2014**

Those employees who were employed on 31 March 2014 and who were active members of the Scheme on 1 April 2014 automatically became active members of the main section of the 2014 Scheme (see [section 8](#)). The only exceptions are members who opted out, opted to join the 50/50 section or happened to stop being eligible for membership on that date because, for example, they attained age 75.

## **3. Opting out**

A person stops being an active member in an employment from the date they specify in a opt out form given to their employer that they wish to leave the Scheme. If they specify no date, or a date earlier than they give the notice, they stop being an active member in that employment at the end of the payment period in which the notice was given, ie at the end of the week or month.

If a member opts out within three months of joining, that person will be treated as not having been a member of the LGPS on that occasion and will be entitled to a refund via the payroll. As the person is treated as not having been a member of the LGPS, the employer should, when it next pays its monthly contributions to the LGPS administering authority, reduce the total contributions it pays over by the employee and employer contributions paid in respect of that person's membership. This is different from the treatment of an individual who leaves their employment with less than three months' Scheme membership. In this situation, the refund of employee contributions can only be paid by the LGPS administering authority from the pension fund (rather than via the employer's payroll) and no refund of employer contributions is due.

If a member opts out having been in the Scheme for three months or more, they should be treated as a normal 'leaver'. If they opt out after three months but before

two years, they are generally entitled to claim a refund via the LGPS administering authority. They will not be able to claim a refund if they have a deferred pension or a pension in payment in an LGPS fund in England and Wales.

If a member was an active member on 31 March 2014 and moved to the 2014 Scheme on 1 April 2014 and then opted out with more than three months' but less than two years' membership, they had the option to have a deferred benefit instead of a refund.

If the opt out election is made after two years, they are entitled to a deferred benefit, and they become a deferred member.

**Important:** An employer should not issue an opt out form to its employees. Instead, the employee must obtain the opt out form directly from the LGPS administering authority.

A person cannot complete a valid opt out form before starting employment. A person who is due to join the Scheme under Automatic Enrolment rules cannot opt out until on or after the date their Scheme membership starts.

Employers and their LGPS administering authority should agree what information must be shared when a member opts out of the Scheme. The Pension Regulator (TPR) has produced detailed guidance on the rules covering automatic enrolment and opting out. Sections 70 to 75 of the [TPR guidance on opting out for employers](#) cover record keeping. If a person joins the LGPS under Automatic Enrolment rules and opts out, then:

“It is a requirement that both employers and pension schemes keep records of opt outs and are able to produce them, if the regulator asks to see them.”

This is not a requirement if the member opts out after being contractually enrolled into the LGPS. For practical reasons, employers should keep the same information for these employees as well.

## 4. Opting in

A person who is eligible for membership, but who is not an active member in that employment, can apply at any time to their employer to join the Scheme. If they do, they become an active member in that employment in the main section of the Scheme on the first day of the payment period following the application. A person is free to opt out of the Scheme and re-join as many times as they wish.

The 2014 Scheme contains two sections – the main section and the 50/50 section. Please see [section 8](#) for more information about the two sections of the Scheme.

A person cannot elect to join the 50/50 section of the Scheme before becoming a member of the main section of the 2014 Scheme. An employee opting to join the Scheme would have to join the main section initially. Once they have joined the main section, they could elect to join the 50/50 section. If they did so before the first payroll after they opt into the Scheme is closed, they could be brought into the 50/50 section from the first day of joining the Scheme.

The employer must tell the LGPS administering authority that the employee has joined the Scheme. They should supply a copy of the election to join the Scheme and, if relevant, the election to join the 50/50 section.

The employer should notify the payroll administrator that the employee has joined the main or 50/50 section of the Scheme. They should also tell payroll the appropriate contribution rate, unless this process has been automated. Note that any reduction in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work at the point when the person opts into the 2014 Scheme are to be disregarded when determining the appropriate employee contribution rate.

Having determined the appropriate employee contribution rate for a member who has opted into the Scheme, the employer must provide the same information as they provide to any other new entrant. See the [end of Section 2A](#).

## 5. Automatic enrolment

Any terms in quotation marks in this section all relate to automatic enrolment and are defined in the Pensions Act 2008.

An ‘eligible jobholder’ who is eligible for membership of the Scheme, but who is not an active member in that employment and who doesn’t apply to their employer to join the Scheme, becomes an active member of the main section on the ‘automatic enrolment date’ or ‘automatic re-enrolment date’ relating to that employment. An employer can delay automatic enrolment for up to three months by issuing a postponement notice on the ‘automatic enrolment date’. It is not possible to use postponement on the ‘automatic re-enrolment date’, but that date can be any date within three months of the anniversary of the employer’s staging date.

There are certain exceptions that change the automatic enrolment duty by either making it optional or disapplying it. Please refer to the ‘Automatic enrolment –

Technical Guide' for information about the exceptions and how postponement works. You can find the guide on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

The 2014 Scheme contains two sections – the main section and the 50/50 section. Please see [section 8](#) for more information about the two sections of the Scheme. Although employees who are 'automatically enrolled' or 'automatically re-enrolled' would initially be brought into the main section they could elect, on or after joining the main section, to join the 50/50 section. If they do so before the first payroll after they are enrolled into the Scheme closes, they can be brought into the 50/50 section from the first day of membership.

The employer must tell the LGPS administering authority that the employee has joined the Scheme. They should supply a copy of the election to join the 50/50 section, if relevant.

The employer should notify the payroll administrator that the employee has joined the main or 50/50 section of the Scheme. They should also tell payroll the appropriate contribution rate, unless this process has been automated. Note that any reduction in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work at the point when the person opts into the 2014 Scheme are to be disregarded when determining the appropriate employee contribution rate.

Having determined the appropriate employee contribution rate for a member who has opted into the Scheme, the employer must provide the same information as they provide to any other new entrant. See the [end of Section 2A](#).

An 'eligible jobholder' who is eligible for membership of the LGPS could choose to opt out of the Scheme. If they do so, the employer could enrol them into another qualifying scheme before what would have been the 'eligible jobholder's' 'automatic enrolment date' or 'automatic re-enrolment date'. That person would not have an 'automatic enrolment date' or 'automatic re-enrolment date' because they are already in a qualifying scheme. Consequently, they would not be automatically enrolled into the LGPS. That person, and any 'non-eligible jobholder' or 'entitled worker' who is eligible for membership of the LGPS but who has opted out of membership and who the employer has enrolled into another qualifying scheme (for example NEST) will retain the right to join the LGPS at any time up to age 75. It should be noted that the LGPS employers listed in [Part 1 of Schedule 2 of the LGPS 2013 Regulations](#) must use the LGPS for the purposes of fulfilling their automatic and re-enrolment duties.

Please note that both the main section and the 50/50 section of the LGPS are a 'qualifying scheme' for automatic enrolment purposes.

For more information on automatic enrolment and the LGPS please read the 'Automatic enrolment – Technical Guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org). The Pensions Regulator has produced [detailed guidance an automatic enrolment](#) that employers may find useful.

## 6. Pensionable pay

The definition of pensionable pay in the 2014 Scheme is, basically, the same as in the 2008 Scheme – ie all payments in respect of the job, apart from those listed in regulations as exclusions. There are three main differences.

The first significant change is that non-contractual overtime was removed from the exclusions list and so, since 1 April 2014, non-contractual overtime has been pensionable.

The second change is that from 1 April 2014, a payment in consideration of loss of future pensionable payments or benefits is not pensionable. Some examples of what this means in practice include:

- where an employer changes an employee's contract to remove pensionable payments including a reduction in contractual pay and gives a lump sum payment in consideration for the loss, that lump sum would be non-pensionable. If the lump sum is to be paid each pay period for a period of X months in consideration of the loss of these future pensionable payments, then this 'top-up' payment is non-pensionable
- where an employee continues to receive their whole preserved substantive salary and conditions during the period of protection, that salary would be pensionable.

When considering pay protection arrangements, employers should consider if they wish to make pay protection arrangements pensionable. The protection arrangements should reflect the regulation on pensionable pay, as above, and the intention should be recorded in any local agreement.

The third change is that, from 1 April 2014, any actual pay paid by the Scheme employer to a reservist during Reserve Forces Service Leave is not pensionable. Note that whilst on reserve forces service leave the employee and the Ministry of

Defence pay contributions on the amount of Assumed Pensionable Pay (see [section 11](#)).

The full list of exclusions from pensionable pay is shown below:

- a) any sum which has not had income tax liability determined on it;
- b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;
- c) any payment in consideration of loss of holidays;
- d) any payment in lieu of notice to terminate a contract of employment;
- e) any payment as an inducement not to terminate employment before the payment is made;
- f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;
- g) any payment in consideration of loss of future pensionable payments or benefits;
- h) any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees;
- i) any payment made by the Scheme employer to a member on reserve forces service leave;
- j) returning officer, or acting returning officer fees other than fees paid in respect of—
  - (i) local government elections,
  - (ii) elections for the National Assembly for Wales,
  - (iii) Parliamentary elections, or
  - (iv) European Parliamentary elections.

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 provide that to the above list should be added 'any supplement paid

- a) to an employee whose employment transferred on 1 April 1996 to the Environment Agency or to such an employee who subsequently transferred on 1 April 2013 to the Natural Resources Body for Wales; or
- b) to an employee whose employment transferred on 1 April 2010 from the Learning and Skills Council for England to a local authority or to London Councils Limited,

in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the 2008 or 2014 Schemes.'

The LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 also provide that, despite the entry at (f) above, if:

- a) an employee's pensionable pay at both 31 December 1992 and 31 March 1998 included an amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision, or
- b) an employee was, immediately before 2 May 1995 in the process of converting the provision of a motor vehicle into an amount paid in lieu of such provision where the process was concluded before 1 July 1995 and the employee's pensionable pay at 31 March 1998 included such an amount,

the relevant amount remains pensionable until:

- the member stops being provided with a motor vehicle or an amount representing the money value of the provision of a vehicle, or
- the member leaves employment with the employer who was employing him / her on 31 December 1992. If the member is compulsorily transferred to another Scheme employer, the amount remains pensionable.

## **6A. Pensionable pay and salary sacrifice**

HMRC approved salary sacrifice arrangements where an employee has their contractual pay reduced by an agreed amount (supported by a variation to their contract) in return for a tax assessable benefit in kind, from which income tax liability may or may not then be removed, are pensionable under LGPS (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument).

The exception is any salary sacrificed for a car or any other vehicle, which cannot be pensionable.

However, from 6 April 2017, significant reforms to salary sacrifice arrangements were introduced by the Government. These reforms have markedly restricted the types of benefits in kind which can benefit from income tax and National Insurance contribution advantages via a salary sacrifice arrangement.

Where holiday entitlement is sold in return for additional remuneration, the extra pay will (as in the 2008 Scheme) be non-pensionable, because it is a 'payment in consideration of loss of holidays'.

### **Buying extra leave**

Many employers have introduced schemes that allow employees to buy extra leave as a way of saving money. The impact on a member's pension and the options open to them will depend on how the scheme works.

**Method 1: The member's pay is reduced in return for additional leave and income tax liability is not determined on the value of that leave.** This is, in effect, authorised leave of absence. The authorised leave of absence reduces the member's income before tax and NIC deductions. The value of this cannot be added back into the member's pensionable pay as a pensionable emolument because the sum has not had income tax liability determined on it.

In the 2014 Scheme, there is no requirement for contributions to be paid for any part of a period of authorised unpaid leave of absence. Instead, it is the employee's choice whether to cover the period of absence for pension purposes. If the employee chooses to do so this will be by paying an age-related Additional Pension Contribution (APC) to cover the amount of pension 'lost' during the period of authorised unpaid leave of absence. See [section 12](#) for further details.

If the member's annual pay is £20,001 and they take five days authorised unpaid leave of absence, their pay will be reduced. The employee contribution rate would be based on a salary of £20,001. The employee could purchase the pension 'lost' during those five days leave of absence by electing to pay an APC. If the member makes the APC election within 30 days of returning from the absence, it would be a Shared Cost APC ie the employer would have to contribute 2/3rds of the cost of that APC – see [section 12](#) for further details.

#### **Method 2: member's contract of employment changed**

The employer could make a change to the employee's contract of employment, reducing the number of days the employee is required to work in a year. This would be similar to the contract of a term-time employee that says they are only required to work term-time.

The pay of a member who earns £20,001 a year, whose contract was changed to say that they are only required to work 360 days a year would reduce to £19,727. If the member wanted to purchase the equivalent of the pension, they would have built up for five days work, they could do so by paying an APC. This would be at the whole cost to the member unless the employer voluntarily agreed to contribute towards the cost of that APC. See [section 12](#) for further details.

If the employee has 2008 Scheme membership, this method could reduce their final pay. Regulations 8 to 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 would apply. The final pay used to work out the member's pre-1 April 2014 benefits would be the best out of the last three years or, if the pay reduction occurred in the 10 years before leaving, the average of any three consecutive years ending on 31 March in the last 13 years.

### **Method 3: net deduction from the member's full pay**

The employer could continue to pay the employee in full and make a net deduction in respect of the value of the additional leave. Income tax and NICs would be deducted from the member's full pay. The member's pensionable pay would also be the full amount. The employer would need the agreement of the employee to deduct a net sum from their pay. The sum would be the amount the employee would have received for the period of leave after the deduction of tax, NI and pension contributions. There would be no effect on the employee's pension and no need for them to pay an APC. The member's final pay would not be reduced and so there would be no need to consider earlier years' pay if they have benefits in the 2008 Scheme.

The employer can make a net deduction if:

- it is authorised in the employee's contract and
- the employee has been given a written copy of the relevant terms or a written explanation of them before the deduction is made, or
- the employee consents to the deduction in writing before it is made.

## **7. Records to maintain**

A separate record must be maintained for each job the employee holds unless the employer determines that a single employment relationship exists. This is the same requirement as under automatic enrolment legislation. The need to calculate pensions on a year by year basis means that separate records are vital.

Examples of where the employer may determine a single employment relationship exists are:

- Two concurrent employments where, if one is terminated, the other must be terminated at the same time
- Sequential employments without a break (eg a promotion).

Where there is no single employment relationship, separate records will be required for each job so that the correct amount of pension accrued each year for each job can be worked out.

### **Example 1: multiple jobs**

An employee commences a new job and already holds a job with the same employer which the employee continues to hold. Unless a single employment relationship exists, the employee is to be treated as a new starter for pension purposes in the new job with the payroll instructed to hold a separate record and the LGPS administering authority notified of a new member.

If separate employment relationships exist and the person is being paid on timesheet claim, that timesheet design must include information that identifies which hours relate to which job.

## **8. The two sections of the 2014 Scheme**

The 2014 Scheme contains two sections – the main section and the 50/50 section. The main difference between the two sections is that in the 50/50 section the amount of contributions to be deducted from the employee is half that due under the main section. The member accrues half the normal pension whilst in the 50/50 section.

If a member who is paying extra pension contributions moves between the main and 50/50 sections, there could be an impact on the extra contributions they are paying. See [section 9](#) for more information.

If a member in the 50/50 section dies in service, the lump sum death grant will be calculated as if the member was in the main section of the Scheme. Any survivor benefits are also not affected by the member being in the 50/50 section.

If a member in the 50/50 section retires with a Tier 1 or Tier 2 ill health pension, the amount of ill health enhancement granted will be calculated as if the member was in the main section of the Scheme

**Important:** while an employee is in the 50/50 section, the employer contribution is still the normal full contribution rate, not half that rate.

The employee may elect to move between the main and 50/50 sections of the Scheme any number of times. Each election takes effect from the next available pay period. For concurrent employments, the employee may elect to move between sections for any or all of the jobs they hold.

An employer must give an employee who elects for the 50/50 section information on the effect on that person's likely benefits from the 2014 Scheme.

The Scheme regulations do not require a form to be completed to move between sections. It may be advisable to use one as the employer will be required to:

- notify the payroll administrator of the date the member moves to a different section
- notify the LGPS administering authority of the date the member moves to a different section and
- maintain a record of elections.

A sample 50/50 election form and notes for employers are available on the [guides and sample documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org). The sample form includes the information an employer must give an employee who elects for the 50/50 section about the effect on that person's 2014 Scheme pension. Employers should check with their LGPS administering authority whether they can use the sample form or whether the administering authority has its own form it would wish employers in its Fund to use. At year end or date of leaving if earlier, employers should confirm to the administering authority which section the member was in at that time.

Each employer will need to determine the most effective method of holding the above information. As stated in [section 2A](#), employees should always be put into the main section on being brought into, or on electing to join the Scheme in an employment. The following circumstances may lead to a change of section during the Scheme year:

- An employee elects to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period.
- An employee in the 50/50 section and goes on to no pay due to sickness or injury. The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. This would even be the case where an employer has a policy of nil pay for the first three days of sickness, and the first two days of sickness fall at the end of one pay period and the third day is the first day of the following pay period. The person does have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member has continuous 50/50 section membership.
- An employee in the 50/50 section goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave. The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.
- If the employee is in the 50/50 section, they must be moved back to the main section from the beginning of the pay period following the employer's

'automatic re-enrolment date'. This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008. The person will have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member has continuous 50/50 section membership.

Please note that the both the main section and the 50/50 section of the LGPS are 'qualifying schemes' for automatic enrolment purposes from April 2014.

NB: The terms in quotation marks in the text above relate to automatic enrolment and are defined in the Pensions Act 2008.

For more information on automatic enrolment and the LGPS please read the 'Automatic enrolment – Technical Guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

## 9. Paying extra and moving between the main and 50/50 sections

If a member elects to move to the 50/50 section:

- any existing Additional Pension Contribution (APC) contract to buy extra pension which is at whole cost to the employee must stop
- any Shared Cost Additional Pension Contribution (SCAPC) contract to buy extra pension must stop
- any AVC or Shared Cost AVC contract continues, unless the member elects to terminate the contract, and
- any APC or SCAPC contract to purchase an amount of pension 'lost' during a period of authorised unpaid leave, unpaid additional maternity or adoption leave, unpaid parental bereavement leave or unpaid shared parental leave continues, unless the member elects to terminate the contract.

On moving to the 50/50 section, any existing contributions to:

- an AVC/SCAVC
- an APC to purchase an amount of pension 'lost' due to a trade dispute or due to a period of authorised leave of absence or period of unpaid additional maternity or adoption leave or unpaid shared parental leave where the member is paying the full cost of the APC

- a SCAPC to purchase an amount of pension 'lost' during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity or adoption leave or unpaid shared parental leave
- an Additional Regular Contribution (ARC), added years, Preston part-time buy-back, or Additional Survivor Benefit Contribution (ASBC) contract / arrangement in force before 1 April 2014 – see [section 16](#)

are not reduced to half rate. The contributions under such contracts / arrangements continue to be paid in full, ie the full percentage rate or flat rate sum due under the relevant contract / arrangement.

A member in the 50/50 section cannot commence payment of an APC contract which is at whole cost to the employee to buy extra pension. A member in the 50/50 section can commence payment of an APC contract if it is to purchase an amount of pension 'lost' due to:

- a trade dispute
- a period of authorised leave of absence
- a period of unpaid additional maternity or adoption leave
- unpaid shared parental leave, or
- unpaid parental bereavement leave

where the member is paying the full cost of the APC.

A member in the 50/50 section can commence payment of a SCAPC contract only if such a contribution is to purchase an amount of pension 'lost' during a period of:

- authorised unpaid leave of absence
- unpaid additional maternity or adoption leave
- unpaid shared parental leave, or
- unpaid parental bereavement leave.

A member in the 50/50 section can commence payment of an AVC or Shared Cost AVC contract.

A member in the 50/50 section can commence payment of Preston part-time buy-back contributions.

When a member moves from the 50/50 section to the main section, any existing:

- APC
- SCAPC
- Additional Regular Contribution (ARC)

- added years
- Additional Survivor Benefit Contribution (ASBC)
- AVC or
- Shared Cost AVC

contract / arrangement must continue, unless the member elects to terminate the contract / arrangement. Any Preston part-time buy-back contributions must continue.

A member in the main section can commence payment of an APC contract which is at whole cost to the employee, commence payment of a SCAPC contract, and commence payment of an AVC or Shared Cost AVC contract.

A member in the main section can commence payment of Preston part-time buy-back contributions.

## 10. Movements between contribution bands

Once the initial pay band and contribution rate has been determined for an employee (see sections [2A](#), [2B](#), [4](#) and [5](#)) the employer must reassess the appropriate band and rate each April, in the pay period in which 1 April falls. The employer may choose to review the appropriate band and rate when there is a material change in pay. This means that the employer can review the band and rate during a Scheme year if there is a material change in an employee's contractual pay. An employee's pay might change if they change jobs, they are promoted or demoted, their job is regraded, they receive a pay award or they change their contractual hours. If an employee receives a backdated pay award or re-grading, this could lead to a retrospective change in contribution band. The employer can decide only to apply the new rate from the date the pay award or re-grading is actioned on the payroll.

Where the initial employee contribution rate was set based on an estimated pay figure (see [section 2A](#)), the employer may wish to review the actual pensionable pay received regularly to ensure the correct rate is being applied. Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when assessing / reviewing the appropriate band and rate.

Such a review could take place:

- a) Each pay period. This could be done in a number of ways. For example:
  - a. The pensionable pay to be paid in the pay period could be grossed up to an annual equivalent and the contribution rate for that pay period

determined accordingly. However, any lump sums or retrospective payments covering more than one pay period, or any payments not paid every pay period (eg payments made twice a year for cutting verges) would need to be excluded from the calculation or, alternatively, excluded before the grossing up calculation and then added to the resultant grossed up annual rate. If this is not done, the derived annual pensionable pay figure would be overestimated. Such an approach can be automated on the payroll and has the advantage of ensuring the annual rate of pay is assessed pay period by pay period. This method could still result in a member paying more or less in contributions than their actual pensionable pay over the Scheme year might have otherwise warranted. For example, a member whose pay month by month is on the cusp of pay bands 2 and 3 might pay a contribution rate of 5.8% some months and 6.5% other months. Over the course of the Scheme year, the member's aggregate pensionable pay could fall within pay band 2. The member could seek to argue that they have paid too much in contributions in some months. The aggregate pensionable pay could fall within pay band 3. It could then be argued the member has paid too little in some months.

- b. The cumulative pensionable pay for the Scheme year to date, including the pensionable pay to be paid in the pay period, could be grossed up to an annual equivalent. The pay would need to be adjusted for any lump sum or retrospective payments paid in the Scheme year to date. The contribution rate for that pay period would be determined accordingly. This option has the same problems as a. above, but to a lesser degree.

b) each quarter (or half yearly). This could be done in a number of ways. For example:

- a. the pensionable pay received in the previous quarter (or previous half year) could be grossed up to an annual equivalent. The pay would need to be adjusted for any lump sum or retrospective payments paid during that quarter (or half year) and the contribution rate for the next quarter (or half year) set accordingly, or
- b. the cumulative pensionable pay for the Scheme year to date at the end of the previous quarter could be grossed up to an annual equivalent. The pay would need to be adjusted for any lump sum or retrospective

payments paid during that quarter (or half year) and the contribution rate for the next quarter (or half year) set accordingly, or

The issues identified in the options under (a) also apply to the options under (b).

- c) at the end of month 11 (or week 48 for weekly paid employees). This could be done in a number of ways. For example:
- a. the cumulative pensionable pay for the Scheme year to date at the end of month 11 (or week 48) could be grossed up to an annual equivalent (making an appropriate adjustment for any lump sum or retrospective payments made in the Scheme year to date). If this indicates that the incorrect employee contribution rate had been applied during the Scheme year to date, apply a new contribution rate from the contribution table for the remaining period of the Scheme year which will, as near as is possible, recover any 'underpaid' employee contributions or refund any 'overpaid' employee contributions. A new employee contribution rate would, of course, still need to be assessed at the beginning of the new Scheme year.
  - d) each year with the rate for the next Scheme year being set by reference to:
    - the actual pensionable pay received in the previous Scheme year, or
    - the annual rate of pensionable pay at the beginning of the new Scheme year, or
    - the expected annual pensionable pay for the new Scheme year.

Any reductions in pensionable pay due to sickness, child related leave, reserve forces service leave or other absence from work are to be disregarded when assessing / reviewing the appropriate contribution rate.

### **Example 2: Assessing the contribution rate**

The rate set on commencement was based on contractual annual pay. However, when the rate is reviewed at the end of the year, it is clear that the employee worked a significant amount of non-contractual overtime which would have placed them in the next band up. The employer may choose to apply the rate applicable to that next band up for the following year.

In deciding the approach to take, employers will need to strike a balance between

- the aim of ensuring that the employee contributions deducted over a Scheme year fairly reflect the pay band appropriate to the pensionable pay received by the employee in the Scheme year, and

- the need to adopt an approach that is simple both to administer and for employees to understand.

Employers will need to consider the level of complexity involved in getting income from employee contributions correct to the nth degree. They may wish to adopt a process that is simpler to administer and explain to employees. Employers should ensure that whatever process they adopt is reasonable and is applied consistently to all employees. Any under or over collection of employee contributions may affect the employer's contribution rate.

Whenever an employer changes the band to which the employee is allocated, the employer must, as soon as is reasonably practicable notify the employee of the new contribution rate that is payable and the date from which it is to be applied. It would be preferable to notify the member before the new rate is applied to avoid complaints from those whose contribution rate increases. See the end of [section 2A](#) for what the notification must contain.

## 11. Assumed Pensionable Pay

### When does Assumed Pensionable Pay apply?

If an employee moves to a period of reduced contractual pay or nil pay because of:

- sickness or injury
- ordinary maternity or adoption leave
- paternity leave
- paid shared parental leave
- paid parental bereavement leave, or
- paid additional maternity or adoption leave

the employer should notify payroll of the date of the reduction (for sickness or injury), or the date the relevant child related leave began. Payroll should be instructed to apply Assumed Pensionable Pay (APP) for pension purposes during the period of absence. APP does not apply during any part of relevant child related leave where the pensionable pay the member receives is greater than the APP for that part of the leave period.

As in the 2008 Scheme, the employee will pay contributions on any pensionable pay received during such periods of absence. Unlike in the 2008 Scheme, the employer will pay contributions on the amount of APP.

## When does APP not apply?

**APP does not apply** during a period of authorised unpaid leave of absence, unauthorised unpaid leave of absence or absence due to industrial action. APP should not be added to the cumulative pensionable pay for that period of absence.

**APP does not apply** during any part of relevant child related leave during which the pensionable pay received is greater than the Assumed Pensionable Pay for that part of the leave period. On those days, the employee and employer pay contributions on the actual pensionable pay received. Relevant child related leave means ordinary maternity, paternity or adoption leave, paid parental bereavement leave, paid shared parental leave and paid additional maternity or adoption leave.

**APP does NOT apply** during:

- unpaid additional maternity or adoption leave
- unpaid shared parental leave, or
- unpaid parental bereavement leave.

These types of leave should be treated as unpaid leave of absence. If the member was in the 50/50 section before dropping to nil contractual pay because of sickness or before going on to no pay during ordinary maternity, ordinary adoption or paternity leave, they should be returned to the main section from the beginning of the next pay period, provided they are still on no pay at that time.

**APP does not apply** on a 'Stringer day' if the pensionable pay the member receives is greater than the APP. A Stringer day is an annual leave day taken during a period of sick leave.

## Calculating APP

The calculation of APP uses the three complete months' or 12 complete weeks' pensionable pay the member receives relating to that employment before the period of reduced contractual pay or nil pay due to sickness or injury, or relevant child related leave commenced or the date the member commenced reserve forces leave.

If the pensionable pay the member received during the three month or 12-week period is reduced because of an absence with the employer's permission or due to a trade dispute, the reduction in pay is ignored in the APP calculation.

If the pay the member received in the three month period (or 12 weeks if paid weekly) is materially lower than the pay they would normally receive, the employer has a discretion to use a higher pay in the APP calculation. The employer must have

regard to the pensionable pay the member earned over the previous 12 months when determining what the normal level of pensionable pay is.

You can read more on how to calculate APP in section 4.2 of the 'Payroll guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

### **APP and separate employments**

If, during the period of three months' or 12 weeks' pensionable pay used to calculate the APP, the member ceases one employment and is reemployed on a new contract of employment, the calculation of APP is based on the pensionable pay received in the new employment only, using the number of complete weeks or complete months available in that employment.

### **Reserve Forces Service Leave**

An employee on Reserve Forces Service Leave may elect to remain a member of the LGPS. If they do so, the employer will calculate APP whilst the reservist is on leave and drop that into the person's cumulative pensionable pay on the payroll (ie into the main or 50/50 section). The member continues to build up a pension as if they were still at work.

The employer would pay no employer contribution to the LGPS administering authority on that APP. The employer would notify the reservist and, via the reservist, the Ministry of Defence (MoD) of both the APP figure and the employee and employer contribution rate due on that amount, and the amount of any additional contributions being paid by the member. If the MoD pay is less than the member's pensionable pay as defined in the 2008 Scheme, and the additional contributions are:

- Additional Regular Contributions (ARCs),
- contributions to purchase added years, or
- Additional Survivor Benefit Contributions (ASBC s).

then the additional contributions are deemed to have been paid.

The MoD would deduct the employee contribution and any additional employee contributions from the reservist and pay those contributions, together with the employer contribution, directly over to the LGPS administering authority or to the AVC provider, as appropriate. Note that any employer contributions to a SCAPC or SCAVC remain payable by the employer. If the employer continues to pay the reservist some pay whilst they are on reserve forces service leave, that pay is non-pensionable. Neither employee nor employer contributions should be deducted. Any

pay paid by the employer is not added into the person's cumulative pensionable pay figure. Only APP is added into the cumulative pensionable pay during a period of reserve forces leave.

### **End of APP accrual**

APP stops accruing:

- When a member stops being absent on reduced contractual pay or nil pay as a result of sickness or injury
- at the end of relevant child related leave (ie ordinary maternity or ordinary adoption leave, paternity leave or paid shared parental leave and any paid additional maternity or adoption leave)
- at the end of a period of reserve forces service leave.

### **Tier 1 and Tier 2 ill health pensions or death in service**

APP will need to be calculated (by the employer – not held on payroll) when:

- an employer terminates an active member's employment on the grounds of permanent ill health with a Tier 1 or Tier 2 ill health pension
- an active member dies in service, or
- a Tier 3 ill health pension is uplifted to a Tier 2 ill health pension.

The APP figure is based on:

- the average of the pensionable pay for the 12 complete pay periods before the date of termination / death for an employee who is paid weekly
- the average of the pensionable pay for the three complete pay period before the date of termination / death for an employee who is paid monthly
- if APP applied during those three months or 12 weeks, that is included in the calculation
- plus any regular lump sums paid in the 12 months before the date of retirement / death which the employer determines there is a 'reasonable expectation' would again have been paid to the member are added back into the annual rate of APP.

This APP figure is needed to calculate the amount of the enhancement to the benefits due under the LGPS. The Independent Registered Medical Practitioner must certify whether the member was working reduced contractual hours during the relevant 12 (weekly) or 3 (monthly) pay periods wholly or partly as a result of the condition that caused or contributed to the ill health retirement. If they were, the APP figure must be calculated on the pay the member would have received during the relevant pay periods if they had not been working reduced contractual hours.

## 12. Buying extra pension

### Employee only APCs and employee / employer Shared Cost APCs

Scheme members may choose to buy extra annual pension, up to a set maximum, using an Additional Pension Contribution (APC) contract (with or without a contribution from the employer – known as a Shared Cost APC (SCAPC) where there is a contribution from the employer). The maximum at April 2014 was £6,500 and represented an increase from the 2008 Scheme maximum of £5,000. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase (assuming a PI date of 1 April 2013). The maximum applicable for the 2020/21 year is £7,194.

An LGPS administering authority can require a member to produce a report by a registered medical practitioner of the results of a medical examination (undertaken at the member's own expense) and can refuse an APC contract application if they are not satisfied that the member is in reasonably good health. Subject to that, a member can enter into an APC contract:

- **To buy extra pension.** The Scheme member may choose to make a one-off contribution or regular additional contributions, with or without a contribution from the employer, to buy a set amount of additional pension. The cost is determined by the Scheme member's age and the amount they wish to purchase and is a cash amount **not** a percentage of pay. An employer may, if they wish, agree to meet some or all of the cost of any additional pension purchased.

A Scheme member cannot start an APC to buy extra pension if they are in the 50/50 section.

- **To buy 'lost' pension for authorised unpaid leave of absence** (including any period of unpaid additional maternity or adoption leave, unpaid parental bereavement leave, unpaid shared parental leave following ordinary maternity or adoption leave, paternity or paid shared parental leave and any paid additional maternity or adoption leave).

An employee may elect to pay an APC to purchase any or all of the amount of pension 'lost' during the period of absence. If they elect to do so within 30 days of returning to work (or such longer period as the employer may allow) the employer must pay 2/3rds of the cost of the APC (a Shared Cost APC). The employer is only required to pay for any individual period of absence up to 36 months, but not any period beyond that.

If the member elects after the 30-day period (or such longer period as the employer may allow) the cost of the APC contract will be at full cost to the employee.

The cost of purchasing 'lost' pension for a period of absence beyond 36 months will be at full cost to the employee, unless the employer chooses to contribute towards the cost.

The member can choose to pay APCs to buy back the pension 'lost' during the period of absence over a period of time or as a one-off lump sum. The member must pay by lump sum if the LGPS administering authority determines that payment by regular contributions would not be practicable. Members who are over their Normal Pension Age, or within a year of attaining their Normal Pension Age can only pay an APC by lump sum.

The amount of 'lost' pension shall be calculated as 1/49th of the 'lost' pensionable pay for the period of unpaid leave if the person was in the main section during that period, or 1/98th of the 'lost' pensionable pay for the period of unpaid leave if they were in the 50/50 section during that period. A Scheme member can commence an APC or Shared Cost APC in this circumstance even if they are in the 50/50 section.

Contributions are not compulsory for any period of authorised unpaid leave of absence. Instead, the member can choose whether or not to pay contributions to cover the pension 'lost' during the period of authorised unpaid leave of absence.

There are no special rules governing jury service. In the 2014 Scheme, if a member is on jury service on no pay (ie authorised leave of absence) the rules above apply.

- **To buy pension 'lost' during a trade dispute.** Where an employee is absent due to a trade dispute, they may choose to buy extra pension to replace the amount of pension 'lost' during the period of the trade dispute. The amount of 'lost' pension shall be calculated as 1/49th of the pensionable pay 'lost' during the period of the trade dispute if the person was in the main section during that period, or 1/98th of the pensionable pay 'lost' for the period of the trade dispute if they were in the 50/50 section during that period. Note that an employee can commence an APC in this circumstance even if they are in the 50/50 section.

If the employee has pre 1 April 2014 membership, they might wish to pay for the amount of 'lost' pension for a period of unpaid absence or trade dispute that falls in their final year of membership. This would mean that the final pay calculation for their pre-1 April 2014 benefits includes that period and could generate a higher final pay figure. This final pay figure would also be used in the underpin calculation for protected members, see [section 16](#). A member subject to the 85 year rule might wish to cover the amount of pension 'lost' in respect of a period of authorised unpaid leave of absence as, if they do not do so, it could have the effect of putting back the date they meet the 85 year rule.

If the Scheme member wishes to purchase extra pension in any of the above circumstances, they will need to sign a contract to do so. Both the payroll and LGPS administering authority must be notified of:

- the amount to be purchased
- how much the purchase costs ie the cash contribution
- the period over which it is to be paid, or if it is to be paid by a lump sum
- the reason for the purchase
- if the member has more than one pensionable employment, the employment to which the APC contract is to be attached.

Members and employers can use the [APC calculator](#) on the national LGPS member website. The calculator allows members to complete and print an application for buying lost or extra pension.

An LGPS administering authority can determine that payments cannot be made over a period of time where it would be impracticable. Administering authorities will wish to have a policy on this and should tell the employers in their Fund what the policy is.

Subject to the provisions explained in [section 9](#), during any period of:

- sickness or injury on reduced contractual pay or no pay, or
- child related leave (ordinary maternity, ordinary adoption or paternity leave, shared parental leave, parental bereavement leave, additional maternity or adoption leave), or
- absence due to a trade dispute, or
- reserve forces service leave, or
- any other period of authorised leave of absence, or
- any period of unpaid unauthorised absence

any pre-existing APC / SCAPC contracts entered into after 31 March 2014 remain payable (unless the member elects to end the contract). The exception is that during

a period of sickness or injury on no pay, the employee contributions to an APC / SCAPC are deemed to have been paid. For further information see the notes under example 23 in section 5.3 of the 'Payroll guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org). See section 16 of the 'Payroll Guide' regarding contracts entered into before 1 April 2014.

### **Employer only APCs**

Employers can award additional annual pension to active Scheme members of up to a set maximum (less any amount of additional annual pension the employer has already contributed towards or is contributing towards under a Shared Cost APC). The maximum at April 2014 was £6,500 and represented an increase from the 2008 Scheme maximum of £5,000. The maximum of £6,500 is increased each April (starting April 2015) by Pensions Increase, assuming a PI date of 1 April 2013. The maximum for the 2020/21 year is £7,194. Such an award may also be made within six months of leaving to a member who left on the grounds of redundancy or business efficiency.

The employer would make a one-off contribution in order to buy a set amount of additional pension for the member. The cost is determined by the employee's age and the amount purchased.

### **AVCs**

Additional Voluntary Contributions (AVCs) can be made by the employee or, in the case of a Shared Cost AVC (SCAVC), by both the employer and employee. Such contributions will be either a cash amount or a percentage of pensionable pay. The employer will notify the payroll of the employee amount or percentage to be deducted per pay period and, in the case of a SCAVC, the employer amount or percentage to be paid per pay period. The LGPS administering authority must also be notified. The split between employee's and employer's additional contributions for a SCAVC can be any proportion as agreed but not 100% cost to the employer.

Before 14 May 2018, if a member's AVC contract started before 1 April 2014, they were restricted to paying 50% of their pensionable pay (2008 Scheme definition) to an AVC. From 14 May 2018, any active member paying an AVC, regardless of when the AVC contract started, can pay up to 100% of their pensionable pay (2014 Scheme definition) into an AVC plan.

It should be noted that during any period of:

- sickness or injury on reduced contractual pay or no pay, or

- relevant child related leave (ordinary maternity, ordinary adoption or paternity leave, paid shared parental leave, paid parental bereavement leave, paid additional maternity leave or paid additional adoption leave), or
- reserve forces service leave

any pre-existing AVC / SCAVC contracts remain payable for so long as there is enough pay to cover them, unless the member, or the employer in the case of a SCAVC, elects to end the contract. Any member paying AVCs for additional life assurance cover will have to make arrangements to continue to pay the life assurance AVCs during any period when there is not enough pay to cover them if they wish to ensure their AVC life assurance cover does not lapse. For further information see the notes under example 27 in section 5.3 of the 'Payroll guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

It should also be noted that during any period of:

- unpaid additional maternity and adoption leave or unpaid shared parental leave, or
- absence due to a trade dispute, or
- any other period of authorised leave of absence

the member may elect to continue payments in respect of any AVC / SCAVC contract. For further information see the notes under example 27 in section 5.3 of the 'Payroll guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

### **Reserve Forces Service Leave**

The above rules on APCs / SCAPCs / AVCs / SCAVCs equally apply to a Scheme member on reserve forces service leave (but see [section 9](#) concerning the impact of moving to the 50/50 section).

Subject to [section 9](#) (impact of moving to the 50/50 section), unless the member elects to end the contract, any pre-existing APC / SCAPC / AVC / SCAVC contracts that were entered into after 31 March 2014 remain payable during any period of reserve forces service leave (but not via payroll). The employer sends the relevant details to the reservist (ie the amount of APC or AVC payable by the reservist) to pass on to the Ministry of Defence (MoD) in order to get them to arrange the relevant deductions from the MoD reservist pay and for the MoD to pay the APC amounts over to the LGPS Fund and the AVC amounts to the relevant AVC provider. Note that any employer contributions to a SCAPC or SCAVC remain payable by the employer.

## 13. Termination

Where a Scheme member opts out of the Scheme, retires, ceases pensionable employment, dies in service or attains age 75, the employer should inform the payroll administrator and the LGPS administering authority, and the notification should include:

- The date of cessation
- The reason for cessation
- The relevant section of the Scheme on cessation
- Any existing APC / SCAPC contracts in force (and the amount of employee and / or employer contributions paid to the APC / SCAPC in the final Scheme year)
- Pension contributions paid in relation to the job in the final Scheme year
- Cumulative pensionable pay (per section) in relation to the job in the final Scheme year
- An APP figure where employment has been terminated on the grounds of permanent ill health with a Tier 1 or Tier 2 ill health pension or an active member dies in service, or where a Tier 3 ill health pension is awarded which is subsequently changed to a Tier 2 ill health pension. This APP figure is needed to calculate the amount of the enhancement to the benefits due under the LGPS.
- The final pensionable pay figure, calculated under the rules of the 2008 Scheme, for those members who were in the Scheme on 31 March 2014, and for members who joined the LGPS after 31 March 2014 and transferred final salary pension benefits from another public service pension scheme into the LGPS (see [section 16](#) for more information)
- Any changes in contractual hours or contractual weeks / days per year, or any service breaks, for those members who were in the Scheme on 31 March 2014 which have not already been notified to the LGPS administering authority (see [section 16](#) for more information)
- Whether, for voluntary (non-flexible) retirements on or after age 55 and before age 60, the employer agrees under their discretions policy to switch on the 85-year rule protection (for retirees who were members of the LGPS on 30 September 2006)
- Whether, for voluntary and flexible retirements, any actuarial reductions are to be waived in accordance with the employer's discretions policy.

## 14. Retirements

When a Scheme member retires the employer must provide the LGPS administering authority with the information set out in [section 13](#).

A Scheme member can elect to take payment of their pension benefits from age 55 on termination of their employment. The Scheme member does not require employer consent and should have been provided with an estimate of any reduction to their pension before making such an election.

Please note that the 85-year rule protections for those Scheme members subject to the 85-year rule continue to apply automatically to members' benefits from both the pre and post 2014 membership if the member takes their benefits at or after age 60. To have 85-year rule protections, a member must have been a member of the LGPS before 1 October 2006. The 85-year rule does not, however, automatically apply if the employee decides to take their benefits voluntarily on or after age 55 and before age 60. The employer can, subject to their discretions policy, agree to apply the 85-year rule. If the employer does apply the 85-year rule, the employer would have to meet any strain on fund cost (as under the 2008 Scheme). If the employer does not apply the 85-year rule, the Scheme member would meet any strain on fund cost via an actuarial reduction applied to their pension.

In the case of a voluntary retirement before Normal Pension Age the employer has the discretion, if their discretions policy so permits, to waive in whole or in part (at cost to the employer) any actuarial reduction that would otherwise apply.

Normal Pension Age in the 2014 Scheme is the employee's State Pension Age (with a minimum of age 65). The Normal Pension Age for benefits accrued before 1 April 2014 will remain as it is in the 2008 Scheme, but those benefits cannot be taken earlier than the post 31 March 2014 benefits, other than on flexible retirement.

The ill health retirement (from any age), flexible retirement (from age 55, subject to their employer's discretions policy) and redundancy / efficiency retirement (from age 55) provisions continue.

**Important:** under the 2014 Scheme, a member requires to years' membership to be entitled to an ill health, flexible, redundancy or efficiency retirement.

Sample ill health medical certificates are available from the [guides and sample documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

Where an employer agrees to flexible retirement, the employee must take all of their pre 1 April 2008 benefits, plus some, all or none of their benefits accrued between 1 April 2008 and 31 March 2014, plus some, all or none of their benefits accrued after 31 March 2014. Any extra benefits the member or employer had paid for via extra contributions will be payable in accordance with [guidance issued](#) by the Secretary of State. The 85-year rule automatically applies to flexible retirements (if the Scheme member is subject to the 85-year rule), even when the flexible retirement occurs before age 60.

If flexible retirement occurs before Normal Pension Age, the employer has the discretion, if their discretions policy so permits, to waive in whole or in part (at cost to the employer) any actuarial reduction that would otherwise apply.

## **15. Payments made after leaving**

Any retrospective payments that come within the definition of pensionable pay will require the relevant employee and employer contributions to be paid on them. If further pensionable payments are made after termination of Scheme membership in a job and after data has already been submitted to the LGPS administering authority, the revised data (if the payment is made in the year of leaving) or new data (if the payment is made in a year after leaving) should be submitted to the LGPS administering authority together with the date the additional payment was made.

The additional pension derived from a retrospective payment made after leaving (eg from a backdated pay award or backdated re-grading) is treated as if it were received on the day before the active member's account was closed and the pension in the account is retrospectively recalculated. For a pension already in payment, this would require the LGPS administering authority to calculate and pay any arrears due and to undertake new lifetime allowance and annual allowance checks.

If the member has pre 1 April 2014 membership, the retrospective pay may result in a recalculation of the final year's pensionable pay. Any pension already paid in respect of the pre 2014 membership (or the underpin) will need to be recalculated and, consequently, arrears of pension paid.

## **16. Processes carried forward from the 2008 Scheme**

The following elements of the 2008 Scheme are carried forward into the 2014 Scheme, as outlined below.

## **Additional Regular Contributions (ARCs)**

Contributions under existing ARC contracts entered into before 1 April 2014 continue to be payable (but the member can elect to end the contract). Payments under these contracts are flat sums payable per pay period not percentages of pensionable pay.

During any period of:

- relevant child related leave (ordinary maternity, ordinary adoption or paternity leave, paid shared parental leave, paid parental bereavement leave or paid additional maternity or adoption leave)
- unpaid additional maternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer
- absence due to sickness on full, reduced or nil pay
- absence due to a trade dispute
- jury service on reduced or no pay
- any other period of authorised leave of absence, or
- any period of unpaid unauthorised absence

the employee must continue to pay contributions under any pre-existing ARC contract entered into before 1 April 2014, unless the employee elects to end the contract. Where necessary, these contributions can be collected from pay when the member returns to work.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the ARC contract. The contributions are deemed to have been paid.

No new ARC contracts can be taken out after 31 March 2014 (but the member can take out an Additional Pension Contributions contract – see [section 12](#)).

## **Added years contracts**

Existing contracts entered into by members who elected before 1 April 2008 to purchase added years of membership continue in force unless the member elects to end the contract. Payments under these contracts are expressed as a percentage of the member's pensionable pay. The contributions should only be deducted on the 2008 Scheme definition of pensionable pay ie excluding any pay that is pensionable

in the 2014 Scheme, but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

During any period of:

- relevant child related leave (ordinary maternity, ordinary adoption or paternity leave, paid shared parental leave, paid parental bereavement leave and paid additional maternity or adoption leave
- unpaid additional maternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer, or
- absence due to a trade dispute, or
- jury service on reduced or no pay, or
- any other period of authorised leave of absence, or
- any period of unpaid unauthorised absence

the employee must continue to pay contributions under any pre-existing added years contract entered into before 1 April 2008, unless the employee elects to end the contract.

During any period of absence due to sickness on full or reduced pay the member will continue to pay the contributions under the added years contract on the pay received. They do not pay contributions under the added years contract during a period of sick leave on no pay.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the added years contract. The contributions are deemed to have been paid.

### **Preston part-time buy-back contracts**

Any existing (Preston) part-time buy-back contracts continue to be payable and, where any new cases are conceded by the employer, the Scheme member can enter into a new contract to buy-back the part-time membership. Payments under these contracts are flat sums payable per pay period not percentages of pensionable pay.

During any period of:

- sickness on reduced contractual pay or no pay
- relevant child related leave (ordinary maternity, ordinary adoption or paternity leave, paid shared parental leave, paid parental bereavement leave and paid additional maternity or adoption leave)
- unpaid additional maternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave
- reserve forces service leave
- absence due to a trade dispute
- jury service on reduced or no pay
- any other period of authorised leave of absence, or
- any period of unpaid unauthorised absence

the employee must continue to pay contributions under any Preston part-time buy-back contract.

### **Additional Survivor Benefit Contributions (ASBCs) for cohabitee survivor's pension**

Any existing ASBC contracts continue to be paid (unless the member elects to end the contract). Members who had not entered into an ASBC contract for all or part of their pre 6 April 1988 membership to count for a cohabitee survivor's pension by 31 March 2014 can no longer do so. Payments under existing ASBC contracts are expressed as a percentage of the member's full time equivalent pensionable pay. The contributions should only be deducted on the 2008 Scheme definition of pensionable pay, ie excluding any pay that is pensionable in the 2014 Scheme, but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

During any period of:

- relevant child related leave (ordinary maternity, ordinary adoption or paternity leave, paid shared parental leave, paid parental bereavement leave and paid additional maternity or adoption leave)
- unpaid additional maternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave
- reserve forces service leave where the reserve forces pay is equal to or greater than the pay that would have been paid had the member continued to be employed by the Scheme employer
- absence due to a trade dispute
- jury service on reduced or no pay
- any other period of authorised leave of absence, or
- any period of unpaid unauthorised absence

the employee must continue to pay contributions under any pre-existing ASBC contract entered into before 1 April 2014, unless the employee elects to end the contract.

During any period of absence due to sickness or injury on full or reduced pay the member will continue to pay the contributions under the ASBC contract on the pay received. They do not pay contributions under the ASBC contract during a period of sick leave on no pay.

During any period of reserve forces service leave where the reserve forces pay is less than the pay that would have been paid had the member continued to be employed by the Scheme employer, the employee is not required to pay contributions under the ASBC contract. The contributions are deemed to have been paid.

### **Final Pay and changes of contractual hours and contractual**

Employers are still required to provide the information detailed below to the LGPS administering authority:

- a) Final Pay (2008 Scheme definition) at each 31 March, on flexible retirement and on ending membership of the Scheme (opting out, termination of pensionable employment, death in service or attaining age 75), for use in calculating pre 2014 benefits, and
- b) Final Pay at Normal Pension Age (NPA) (2008 Scheme definition – normally age 65) or at the date of cessation of active membership, if earlier, to enable the LGPS administering authority to calculate the underpin on the post 31 March 2014 benefits for those members to whom the underpin calculation applies.

The underpin has to be calculated for a member who:

- was an active member on 31 March 2012, or
- was an active member of another public service pension scheme on 31 March 2012 and transferred their pension benefits from that public service pension scheme into the LGPS (where the transfer bought final salary benefits ie membership in the 2008 Scheme), and
- was within 10 years of NPA (2008 Scheme definition – normally age 65) on 1 April 2012
- has not had a continuous break of more than five years in membership of a public service pension scheme after 31 March 2012

- has not already taken any benefits from the 2014 Scheme in relation to the employment eg on flexible retirement
  - The final pay figure (2008 Scheme definition) for the underpin is the pay due for, normally, the 12 months preceding the date of cessation or NPA, whichever is the earlier.
  - It should be noted that, where a Scheme member is subject to a reduction or restriction in pay, regulations 8 and 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 continue to apply for the purposes of the final pay calculation for (a) and (b) above regardless of whether the reduction or restriction in pay occurs before, on or after 1 April 2014.
- c) Changes of contractual hours for part-time employees (or the average hours for the Scheme year for employees who have no contractual hours) in respect of:
- members to whom the underpin calculation applies where the change occurs before NPA (2008 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed,
  - members who have an added years contract (as the added years contract has to be adjusted upon a change in contractual hours), and
  - members covered by regulation 20(13) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (minimum ill health enhancement for those who were active members before 1 April 2008, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership) as a change in contractual hours can affect the level of the minimum ill health enhancement.

Changes in contractual hours will also need to be taken into account in assessing the level of contributions payable under an ongoing Additional Survivor Benefit Contribution (ASBC) contract.

- d) Changes in contractual weeks / contractual days per year (if the LGPS administering authority prorates the membership of employees whose contractual weeks / contractual days per year are less than 52 per annum / 365 days per year) but only for:
- members to whom the underpin calculation applies where the change occurs before NPA (2008 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed,
  - members who have an added years contract, and
  - members covered by regulation 20(13) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (minimum ill health

enhancement for those who were active members before 1 April 2008, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership) as a change in contractual weeks can affect the level of the minimum ill health enhancement.

Changes in contractual weeks / days will also need to be taken into account in assessing the level of contributions payable under an Additional Survivor Benefit Contribution (ASBC) contract (if the LGPS administering authority prorates the membership of employees whose contractual weeks / days per year are less than 52 per annum / 365 days per year).

For all employees in (c) and (d), employers will need to provide, at each 31 March, the relevant changes that have occurred during the Scheme year (as the information is required by the LGPS administering authority to calculate the member's benefits for the purposes of the Annual Benefit Statement and the annual allowance) and provide, at the date of leaving, the changes that have occurred during the Scheme year in which the date of leaving falls.

For the purposes of (a) and (b) above, if the employee elects to cover the whole of the amount of pension 'lost' during any period of absence due to a trade dispute, authorised unpaid leave of absence or unpaid additional maternity or adoption leave or unpaid shared parental leave by the payment of contributions under an Additional Pension Contribution (APC) contract or Shared Cost APC contract, in calculating the final pay for the employee, the employee must be treated as having received the pay they would otherwise have received but for the absence.

If, however, the employee does not make such an election, or has a period of unauthorised unpaid leave of absence, the final pay (if the absence falls in the final pay period – usually the last 12 months) will be the pay received during that final pay period divided by the number of paid days in that period multiplied by 365.

**Important:** The underpin was introduced to protect the pensions of older members when the LGPS changed from a final salary to a CARE scheme in 2014. The Court of Appeal found that younger members of other public sector pension schemes had been discriminated against, because similar protections did not apply to them. The Government has accepted that this outcome will apply to all public sector schemes.

The Government is working on proposals to remove the discrimination from all public sector pension schemes. In the LGPS, it is possible that employers will need to provide administering authorities with working hours and working days or weeks information for Scheme members who are not currently protected by the underpin.

### **Retention of payroll data**

Scheme employers must provide the relevant administering authority with the information they require to calculate the value of each member's LGPS pension entitlement correctly. Employers' data retention schedules for payroll and HR data should take into account that there are circumstances where they will need to supply historical information to ensure that this requirement can be met.

Employers must also make payroll providers aware of their retention schedules so that they are able to retain access to the information needed.

### **Pensionable pay data**

When a Scheme member with pre 2014 membership leaves, the employer must calculate their 'final pay' in accordance with the Scheme regulations. The regulations state that:

- the final pay period is the year ending with the last day of membership; however, one of the two immediately preceding years can be used if higher.
- if a member is subject to a reduction or restriction in pay in the 10-year period before leaving the Scheme, they can choose to have their final pay calculated as the best consecutive three years' pay in the last 13 years.

The reason for the reduction or restriction of pay in the second bullet point above can be for a variety of reasons including, but not limited to, where the member chooses to be employed with the same employer at a lower grade (or with less responsibility) or as result of a job evaluation exercise.

Employers should be aware that in order to calculate final pay accurately under the Scheme regulations complete pensionable salary data for the 13 years before the member's scheme membership ended will be needed.

### **Hours data**

Employees who joined the LGPS before 1 April 2014 have membership in the final salary scheme. The employee's working hours are used in the calculation of benefits built up in the final salary scheme and member queries concerning working hours can be received many years after any change in working pattern took effect.

### **Other data**

Employers should be aware that under the Scheme rules they are responsible for deciding whether deferred members, ie employees who have left the Scheme but not yet taken payment of their pension benefits, can be paid their benefits early on ill health grounds.

If a former employee applies for their deferred benefits to be put into payment early on ill health grounds, the employer is required to obtain an opinion from an Independent Registered Medical Practitioner before making a decision. The regulations require that the former employee is assessed in relation to their ability to do the job that they were doing immediately before they left the Scheme. Therefore, it is important to keep records of employees' duties and responsibilities, usually in the form of a job description.

**Important:** providing data to the administering authority remains the responsibility of the employer. It is important that employers put processes in place to retain access to historical payroll information when they change payroll providers so that they can continue to fulfil their responsibilities as a Scheme employer.

### **Service breaks**

Employers are responsible for providing details to the LGPS administering authority of breaks in 'membership' that occur before Normal Pension Age (2008 Scheme definition – normally age 65) due to:

- a trade dispute, or
- authorised unpaid leave of absence, or
- unpaid additional maternity or adoption leave or unpaid shared parental leave, or

but only for those members:

- to whom the underpin calculation applies, or
- to whom the 85-year rule applies

and who have not taken out an Additional Pension Contribution (APC) contract to cover the whole of the pension that would have accrued during the trade dispute

period, or taken out an APC or Shared Cost APC contract to cover the whole of the pension that would have accrued during a period of unpaid additional maternity leave, unpaid additional adoption leave, unpaid shared parental leave or any other period of unpaid leave of absence with permission. Compulsory employer contributions to a Shared Cost APC are limited to cover a maximum period of 36 months.

In addition, employers will need to provide details to the administering authority of breaks in membership due to:

- unauthorised unpaid absence

for those members:

- to whom the underpin calculation applies, or
- to whom the 85-year rule applies, or
- who have not yet met the two year vesting period

**Important:** Unauthorised unpaid absences will always constitute a break as there is no facility to pay an APC to cover the pension that would have accrued during a period of absence of this type.

Notification of service breaks are required in order that the LGPS administering authority can determine:

- whether the final salary benefit underpin for members subject to the underpin exceeds their post 31 March 2014 career average pension
- when the member meets the 85-year rule (as a break can potentially put back to a later date the date when the 85-year rule is achieved), and
- when the member meets the two year vesting period.

**Important:** The underpin was introduced to protect the pensions of older members when the LGPS changed from a final salary to a CARE scheme in 2014. The Court of Appeal found that younger members of other public sector pension schemes had been discriminated against, because similar protections did not apply to them. The Government has accepted that this outcome will apply to all public sector schemes.

The Government is working on proposals to remove the discrimination from all public sector pension schemes. In the LGPS, it is possible that employers will need to provide administering authorities with service break information for Scheme members who are not currently protected by the underpin.

## 17. Discretions policy

Each employer must prepare, publish and keep under review a policy statement in relation to the exercise of a number of discretions under the LGPS. The employer must send a copy of their policy statement to their LGPS administering authority. If an employer amends the policy statement, they must send a copy to the relevant administering authority within one month of the date the revisions are made.

In formulating and reviewing its policy, an employer is required by the regulations to have regard to the extent to which the exercise of their discretionary powers could lead to a serious loss of confidence in the public service.

### Discretions for leavers after 31 April 2014

In relation to members who have paid into the LGPS after 31 March 2014, the LGPS Regulations 2013 state the requirement to prepare, publish and review a policy statement must be fulfilled in relation to four areas, namely:

- whether to contribute to the cost of purchasing additional pension via a Shared Cost Additional Pension Contribution (SCAPC) contract, either by regular ongoing contribution or one-off lump sum
- whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)
- whether to waive all or part of any actuarial reduction where a member takes benefits before their normal pension age
- whether to award additional pension (at whole cost to the employer).

The employer must also prepare, publish and keep under review a policy statement in relation to members who paid into the LGPS after 31 March 2014 but who also have membership before 1 April 2014 in relation to:

- whether to apply the 85-year rule to a Scheme member wishing to voluntarily take (non-flexible retirement) benefits on or after 55 and before age 60
- whether to agree to waive actuarial reductions on compassionate grounds on protected membership, as set out in the 'Technical guide – discretionary policies' which can be found on the '[Guides and sample documents](http://www.lgpsregs.org)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

The 85-year rule does not automatically apply if the employee decides voluntarily to take (non-flexible retirement) benefits on or after age 55 and before age 60. The employer can agree to apply the 85-year rule. If the employer does apply the 85-year rule, the employer would have to meet any strain on fund cost (as under the 2008 Scheme). If the employer does not apply the 85-year rule, the Scheme member

would meet any strain on fund cost via an actuarial reduction applied to their pension. However, as mentioned above the employer has discretion to waive actuarial reductions (at cost to the employer).

### **Discretions for leavers before 1 April 2014**

An employer must also prepare, formulate and review certain mandatory policies in respect of members who left the LGPS before 1 April 2014, ie under earlier LGPS regulations. Full details of the requirements are set out in the 'Technical guide – discretionary policies' which can be found on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

There are numerous other discretions the employer may exercise for which the employer is not required to have a written policy. However, for at least some of these, the employer might wish to have a written policy, or a statement of intent as to how such discretions might be exercised.

More information is available in the 'Technical guide – discretionary policies' which can be found on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

## **18. Payment of sums to the pension fund**

As well as paying over employee and employer pension contributions (see section 9 of the 'Payroll guide' which you can find on the '[Guides and sample documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org)), employers are required to pay over to the appropriate pension fund on or before such dates falling at intervals of not more than 12 months as the LGPS administering authority may specify:

- any amount notified by the administering authority during the interval to cover any extra charge for payment of:
  - ill health pensions
  - early payment of deferred benefits or deferred pensioner benefits on ill health grounds
  - any strain on fund costs in respect of flexible retirements, redundancy or business efficiency retirements
  - any strain on fund costs relating to the waiver by the employer of any actuarial reduction, and
  - the cost of any additional annual pension (up to permitted maximum) granted to the member by the employer;
- a contribution towards the cost of the administration of the fund (where the cost of administration is not charged direct to the LGPS pension fund);

- any amount specified in a notice given to the employer by the LGPS administering authority in consequence of additional costs that have arisen as a result of the employer's level of performance; and
- any employee and employer contributions received from the Ministry of Defence in respect of an employee on reserve forces service leave.

## 19. Glossary of acronyms

APC: Additional Pension Contributions (paid by Scheme member)

APP: Assumed Pensionable Pay

ARC: Additional Regular Contributions (paid by Scheme member)

ASBC: Additional Survivor Benefit Contributions (paid by Scheme member)

AVC: Additional Voluntary Contributions (paid by Scheme member)

LGPC: Local Government Pensions Committee

LGPS: Local Government Pension Scheme

SCAPC: Shared Cost Additional Pension Contributions (cost met by Scheme member and the employer)

SCAVC: Shared Cost Additional Voluntary Contributions (cost met by Scheme member and the employer).