

## LGPS 2015 Payroll Guide



This guide sets out the requirements for payrolls in respect of the Local Government Pension Scheme (Scotland) 2015 (LGPS), effective from 1st April 2015. The guide only applies to the LGPS relating to employees and councillors in Scotland. It does not cover employees or councillors in England or Wales.

Please note this guide is in addition to, and does not replace, any requirements agreed with the Pension Fund administering authority in respect of information to be provided to them to enable them to administer the 2009 Scheme. It is intended to inform payroll providers and employers of the minimum information needed to effectively manage the 2015 Scheme (and its interaction with the 2009 Scheme – see [section 6](#)). **Wherever possible, we ask that users contact their administering authority with any queries they have regarding the new Scheme before getting in touch with a member of the Scottish Public Pensions Agency.**

The examples provided in sections of this guide are for illustration only and do not override any regulatory or statutory requirements.

The information in this guide applies equally to employees and councillors except where the LGPS Regulations require councillors to be treated differently for certain purposes. Where that is the case, the guide sets out what the different treatment for councillors is. References to “employee” in this guide include “councillors” unless stated otherwise.

~~It is intended that the~~ This guide will [continue to](#) be updated to reflect any legislative changes as and when they occur.

~~PDFs of the most recent versions of the guide are below. Tracked changes within the PDFs detail how newer versions differ from their earlier incarnations. PDF copies of all previous versions of this guide are available on request from the LGA Pensions team.~~

### Contents

- [1. Data](#)
- [2. Records](#)
- [3. Sections](#)
- [4. Cumulative Pensionable Pay \(CPP1 and 2\)](#)
  - [4.1 Pensionable Pay](#)
  - [4.2 Assumed Pensionable Pay \(APP\)](#)
  - [4.3 Certificates of Protection](#)
- [5. Cumulative Contributions](#)
  - [5.1 Cumulative Employee Contributions \(CEC1 and 2\)](#)
  - [5.2 Cumulative Employer Contributions \(CRC\)](#)
  - [5.3 Cumulative Additional Contributions \(CAC, CARC\) - per job](#)
- [6. Scheme Data](#)
  - [6.1 Final Pay](#)
  - [6.2 Changes in Contractual Part Time Hours and/ or Contractual Weeks/ Contractual Days per year](#)
  - [6.3 Breaks in membership](#)
  - [6.4 Existing additional pension contracts](#)
- [7. Payments in respect of a period prior to 1st April 2015 which are made after 31st March](#)

[2015](#)

[8. Absences spanning 31st March 2015/ 1st April 2015](#)

[9. Monthly payover of contributions](#)

[10. End of year template report](#)

[11. Glossary of acronyms](#)

[12. Appendix](#)

## 1. Data

The following data ~~is to~~ must be held so that it can be made available to pension administrators within 3 months of the end of each Scheme year (the Scheme year runs from 1st April to 31st March), or on termination of Scheme membership, in respect of each job. If further pensionable payments are made after termination of Scheme membership in a job and after data has already been submitted to the Pension Fund 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 Pension Fund administering authority together with the date the additional payment was made.

Note that termination of Scheme membership in a job occurs when either the employer notifies payroll that the employee has opted out of the Scheme (in that job), or has ceased employment in that job, or has attained age 75. Termination does not occur when an employee moves between jobs in the same employment (see definition of single employment relationships in the records section).

It should be stressed, as noted in [section 2](#), that where an employee holds more than one job with the employer, each of the fields in the table below are to be held **per job**, including where the additional job is that of returning officer at local government elections or elections for the Scottish Parliament, or acting returning officer (including as a regional or local returning officer at a European Parliamentary election). The employee can be in the main section in one job and the 50/50 section in another job.

New Scheme Data	
Main section Cumulative Pensionable Pay (CPP1)	The total Pensionable Pay* (PP) and/or Assumed Pensionable Pay (APP) in the main section for the Scheme year (1 April – 31 March)
Main section Cumulative Employee's Contributions (CEC1)	The total employee's contributions in the main section for the Scheme year
50/50 section Cumulative Pensionable Pay (CPP2)	The total Pensionable Pay* (PP) and/or Assumed Pensionable Pay (APP) in the 50/50 section for the Scheme year
50/50 section Cumulative Employee's Contributions (CEC2)	The total employee's contributions in the 50/50 section for the Scheme year
Cumulative Additional Employee's Contributions (CAC) per type i.e.:	The total additional employee's contributions (per type) for the Scheme year i.e.:
- additional pension	- additional pension contribution (EAPC) – both where the whole cost is to the employee and also the employee element

contribution (EAPC)  - additional voluntary contribution (EAVC)	of a shared cost APC  - additional voluntary contribution (EAVC) – inclusive of non life assurance (whole cost to employee), life assurance (whole cost to employee), and employee element of a shared cost AVC for life assurance, pension salary sacrifice, or other part cost to the employee
Cumulative Employer's Contributions (CRC)	The total employer's contributions in both sections for the Scheme year
Cumulative Additional Employer's Contributions (CARC) per type i.e.:  - additional pension contribution (RAPC)  - shared cost additional voluntary contribution (RAVC)	The total additional employer's contributions (per type) for the scheme year i.e.:  - additional pension contribution (RAPC) – both where the whole cost is to the employer and also the employer element of a shared cost APC  - shared cost additional voluntary contribution (RAVC) – employer element of a shared cost AVC for life assurance, pension salary sacrifice, or other part cost to the employer
Dates of active membership during the Scheme year**	Either:  - the date of the beginning of the Scheme year , or  - the date became an active member of the Scheme in the employment during the Scheme year (if later)  Plus  - the date of the end of the Scheme year, or  - the date ceased to be an active member of the Scheme in the employment during the Scheme year (if later)
<b>Additional Data (per employment)**</b>	
Section of the Scheme***	Section of the Scheme the employee was a member of in the employment at the end of the Scheme year or at the date of cessation of active membership in the employment.
<b>2009 Scheme Data</b>	
FTE Final Pay (FFP)	Full time equivalent pensionable pay in respect of the employment for the scheme year

\*Including the value of emoluments specified in the contract of employment as being pensionable emoluments (including the pensionable emolument value of salary sacrificed for such items as child care vouchers, and for pension contribution salary sacrifice via a shared cost AVC arrangement).

\*\*See explanation at [section 10](#).

\*\*\*The LGPC Secretariat believe that this information should be provided to the Pension Fund administering authority as it is required to ensure the member's pension record is correct and up to date and because the information may be needed to produce projections for Annual Benefit Statements.

Again it should be noted that the above specification shows the information required as a result of the 2015 Scheme, effective from 1st April 2015. It does not replace or remove the requirement for any other data being supplied to your Pension Fund administering authority to enable them to administer the 2009 Scheme (e.g. personal details, date joined fund, AVCs, etc. - see [section 6](#) for more information on information required for pre 2015 members).

In diagrammatical form, the payroll data to be held for each Scheme year (1st April to 31st March) to produce the monthly and end of year / leaving data shown in sections [9](#) and [10](#) is as shown in the chart located [here](#).

## 2. Records

Separate records of cumulative amounts 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 and although not a change from current requirements the need to calculate pensions on a year by year basis means that separate records are vital to the task and therefore worth re-emphasising.

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
- Two sequential employments without a break (e.g. a promotion)

Where a single relationship does not exist separate records will be required for each job in order to calculate and hold the data needed to correctly determine the amount of pension accrued in each year for each job.

### Example 1

An employee has two concurrent part time jobs with the same employer who has not informed payroll that a single employment relationship exists. Two records should be held for this employee and the data should be supplied to the Pension Fund administering authority as two lines of data both identifiable as the employee (e.g. NI Number) but each uniquely identified as different jobs (e.g. post/payroll number). If one of the jobs ceases this should be treated as a leaver for pension purposes (with the data in respect of that leaver available for reporting to the Pension Fund administering authority at the date of leaving).

### Example 2

An employee is promoted to a new job and no termination of employment notice has been received by payroll. The data should be supplied to the Pension Fund administering authority as a single set of cumulatives which include amounts from both jobs.

Where separate employment relationships exist and where the person is being paid on timesheet claim, it is imperative that timesheet design (and instructions for completion from HR) includes information that identifies which hours are in relation to which job.

### 3. Sections

The LGPS 2015 contains two sections – the main or 100/100 section and the 50/50 section. The data requirements for both sections are the same apart from the employee contribution calculation which in the 50/50 section is half that which would be due in the main section (see [section 5](#) - cumulative contributions). Note that the employer contribution is still the normal full contribution rate (not half).

In the absence of a 50/50 election before the payroll has been closed (please note that an employee cannot complete a 50/50 election before commencing employment) a new employee, or an existing employee commencing a new employment for which a separate record is required (see [section 2](#)) or an optant out electing to join the Scheme or being auto-enrolled or re-enrolled should be put into the main section on commencement of that employment / opting into membership of the Scheme / being automatically enrolled or automatically re-enrolled, after which the following circumstances may lead to a change of section during the Scheme year.

- Notification that the employee has elected to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.
- If the employee is in the 50/50 section and goes onto no pay due to long-term 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. The person will, of course, have the right to make a further 50/50 election when they return to work.
- If the employee is in the 50/50 section and goes onto no pay during ordinary maternity, 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 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 employers' "automatic re-enrolment date". This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008. Note that the initial "staging date" for those employers who meet their "staging date" after 31st March 2015 has no implication on existing 50/50 elections. The person will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

Please note that the both the main section and the 50/50 section of the LGPS are a "qualifying scheme" for automatic enrolment purposes from April 2015.

NB: Those terms highlighted in quotations marks in the text above are to be construed in accordance with the Pensions Act 2008.

For more information on Automatic Enrolment and the LGPS please read the LGPC's [Automatic Enrolment Guide](#).

The dates an employee joined and ceased membership of a section must be held (per job), as specified in the table in [section 1](#).

Separate cumulative amounts for pensionable pay and employee contributions should be maintained for each section (as specified in the table in [section 1](#)).

However, it is not necessary to maintain separate cumulative amounts for employer's contributions per section (other than as specified in the table in [section 1](#)).

It should be noted that if a member moves to the 50/50 section:

- any existing additional pension contribution (EAPC) contract which is at whole cost to employee must cease (unless it is 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, paternity or adoption leave or unpaid shared parental leave where the member is paying the full cost of the APC\*, in which case it continues, unless the member elects to terminate the contract)
- any shared cost additional pension contribution (EAPC/ RAPC) contract must cease (unless it is to purchase an amount of pension "lost" during a period of authorised leave of absence or during a period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, in which case it continues, unless the member elects to terminate the contract)
- any AVC (EAVC) or Shared Cost AVC (EAVC/RAVC) contract continues unless the member elects to terminate the contract.

[\*i.e. the member made an APC election more than 30 days (or such longer period as the employer may allow) after returning from a period of authorised leave of absence or period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, thereby missing the deadline for the employer to compulsorily contribute to a shared cost APC or the APC is to cover a period of absence beyond 36 months.]

It should also be noted that on movement 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, paternity 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, paternity or adoption leave or unpaid shared parental leave, or
- an additional regular contribution (ARC), added years, Preston part-time buy-back, or additional survivor benefit contribution (ASBC) contract / arrangement in force prior to 1st April 2015 – see [section 6.4](#)

are not reduced to half rate. The contributions under such contracts / arrangements continue to be paid in full i.e. 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 additional pension contribution (EAPC) contract which is at whole cost to the employee (unless it is 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, paternity or adoption leave or unpaid shared parental leave where the member is paying the full cost of the APC).

A member in the 50/50 section can only commence payment of a shared cost additional pension contribution (EAPC/ RAPC) contract if such a contribution is to purchase an amount of pension “lost” during a period of authorised unpaid leave of absence or during a period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave.

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

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

It should be noted that if a member moves to the main section:

- any existing additional pension contribution (EAPC) must continue, unless the member elects to terminate the contract.
- any shared cost additional pension contribution (EAPC/ RAPC) contract must continue, unless the member elects to terminate the contract.
- any AVC (EAVC) or Shared Cost AVC (EAVC/RAVC) contract continues unless the member elects to terminate the contract.
- any additional regular contributions (ARC) contract must continue unless the member elects to terminate the contract.
- any added years contract must continue unless the member elects to terminate the contract.
- any additional survivor benefit contributions (ASBC) contract must continue unless the member elects to terminate the contract.
- any Preston part-time buy-back contributions must continue.

A member in the main section can commence payment of an additional pension contribution (EAPC) contract which is at whole cost to the employee.

A member in the main section can commence payment of a shared cost additional pension contribution (EAPC/ RAPC) contract.

A member in the main section can commence payment of an AVC (EAVC) or Shared Cost AVC (EAVC/RAVC) contract.

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

### **Example 3**

A monthly paid employee opts for the 50/50 section on 29th June (after the June payroll had closed). The payroll should be amended to show the employee in the 50/50 section from the July pay period. Movements between sections are unique to each job unless a single employment relationship exists in which case movements will apply across all of the jobs in that relationship.

### **Example 4**

An employee with two concurrent jobs opts for the 50/50 section. If no single employment relationship exists the employee may opt to be in the 50/50 section in either or both jobs. If a single employment relationship does exist the option applies to both jobs.

### **Example 5**

An employee finishes one job and starts another without any notification that employment has ceased (e.g. they are promoted with the same employer). If the employee had opted for the 50/50 section in the first job that option should be carried forward to the second job. If a notification was received from the employer that employment has ceased then the jobs should be treated as a termination and a new starter and the employee put into the main section in the new job.

Employers will need to provide the dates of movements between sections to the Pension Fund administering authority when they occur and, at year end (or date of leaving if earlier), confirm to the administering authority which section the member was in at that time. Each employer will need to determine the most effective method to achieve this which may or may not involve the payroll system holding these dates.

#### 4. Cumulative Pensionable Pay (CPP1 and 2)

This is the cumulative Pensionable Pay (PP) and/or Assumed Pensionable Pay (APP) in either section of the Scheme in the Scheme year, including the value of emoluments specified in the contract of employment as being pensionable emoluments (including the pensionable emolument value of salary sacrificed for such items as child care vouchers, and for pension contribution salary sacrifice via a shared cost AVC arrangement). The cumulative pensionable pay must be provided separately for each section (and per job) as different accrual rates will apply when calculating the pension in each section. If the employee moves between sections more than once in a Scheme year there is no requirement to differentiate cumulatives between different periods in the same sections (although the dates the member was in each section need to be provided to the pension fund administering authority). The cumulative amounts should contain all of the PP and/or APP in each section during the year.

Note that any pensionable pay received after 31st March 2015 which relates to a period prior to 1st April 2015 should not be included in CPP1 or CPP2.

##### Example 6

Employee opts for the 50/50 section 3 months into the Scheme year at which point the accrued CPP1 is £3,000. The employee spends 6 months in the 50/50 section accruing £6,000 in CPP2 then opts back into the main section for the final three months of the year accruing a further £3,300 in CPP1. The cumulatives at the end of the Scheme year are CPP1 £6,300 and CPP2 £6,000.

#### 4.1 Pensionable Pay

The definition of pensionable pay in the 2015 Scheme is, basically, the same as in the 2009 Scheme – i.e. all payments in respect of the job apart from those listed in regulations as exclusions, but there are four main differences.

The first significant change is that hours worked in excess of contracted hours ~~will~~are, from 1st April 2015, ~~be~~ pensionable up to the hours of the standard full-time working week for the employee in that employment. Hours worked in excess of the standard full-time working week for the employee in that employment will, apart from contractual overtime, be non-pensionable.

~~The second change is that a payment in consideration of loss of future pensionable payments or benefits is, from 1st April 2015, not pensionable. So, for example, where employer changes an employee's contract to remove contractual overtime and gives a lump sum payment in consideration for the loss of future pensionable payments (because the number of voluntary hours of overtime are expected to be less than the former number of contractual hours of overtime), that lump sum would be non-pensionable. Similarly, where an employer reduces the pay of an employee but offers a 'marked time' payment (e.g. to bring the employee's pay up to the former rate of pay for a limited period of time) the employer should define that 'top-up' sum in the 'marked-time' agreement as a sum to be paid each pay period for a period of X months in consideration of the loss of future pensionable payments. The 'top-up' payment would then be non-pensionable.~~

The second change is that a payment in consideration of loss of future pensionable payments or benefits is, from 1st April 2015, not pensionable.

Some of examples of what this means in practice includes:

- Where 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 future 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.

Formatted: Bulleted + Level: 1 + Aligned at: 0.63 cm +  
Indent at: 1.27 cm

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

The third change is that, from 1st April 2015, 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 4.2](#)).

The fourth change is that the regulations now confirm that any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees is non-pensionable. [In October 2016, SPPA issued a circular \(6/2016\) clarifying that the payment of arrears of pay, made in respect of an equal pay claim, should be treated as pensionable. The circular notes that exclusion \(h\) in the list below makes a clear distinction between:](#)

- [The award of compensation for the purpose of achieving equal pay, which is non-pensionable, and](#)
- [A payment made in settlement of an equal pay claim where the payment represents arrears of pay, which is pensionable.](#)

[The circular also confirms that where such arrears are paid members would not have the choice to not pay contributions on the arrears because it would be required under the LGPS Regulations 2014, but that employers and administering authorities should agree an appropriately flexible approach for the repayment of the member contributions.](#)

The LGPS Regulations define pensionable pay as follows:

**Meaning of pensionable pay**

**20.** —(1) Subject to regulation 21 (assumed pensionable pay), an employee's pensionable pay is the total of—

- (a) all the salary, wages, fees and other payments paid to the employee, and
- (b) any benefit specified in the employee's contract of employment as being a pensionable emolument.

(2) But an employee's pensionable pay does not include—

- (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)\* payments for non-contractual overtime;
- (k) the amount of any supplement paid to an employee whose employment was transferred on 1st April 2010, under a staff transfer scheme, from the Scottish Administration to Learning and Teaching Scotland, in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme;
- (l) the amount of any supplement paid to an employee whose entitlement to a pension was transferred on 1st May 2010 from the SDS Scheme to the Scheme, in recognition of the difference in contribution rates between members of the SDS Scheme and the Scheme;
- (m) the amount of any supplement paid to an employee whose employment was transferred on 1st October 2008, under a staff transfer scheme, from the Scottish Legal Services Ombudsman to the Scottish Legal Complaints Commission in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme;

- (n) the amount of any supplement paid to an employee whose employment was transferred on 1st April 2011, under a staff transfer scheme, from the Scottish Administration to Social Care and Social Work Improvement Scotland, in recognition of the difference in contribution rates between members of the principal civil service pension scheme and the Scheme;
- (o) returning officer, or acting returning officer fees other than fees paid in respect of—
  - (i) local government elections,
  - (ii) elections for the Scottish Parliament,
  - (iii) Parliamentary elections, or
  - (iv) European Parliamentary elections.

The LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 provide that to the above list should be added “any supplement paid [to an employee] in recognition of the difference in contribution rates between the principal civil service pension scheme and the 2009 or 2015 LGPS Schemes.” This would, for example, cover such a supplement paid to a scheme member who is employed by the Scottish Environment Protection Agency as a result of a relevant statutory transfer and who, immediately, before the transfer, was a pensionable civil servant.

The LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 also provide that, despite the entry at (f) above, if an employee’s pensionable pay at both 31st December 1992 and 31st March 1998 included an amount treated as the money value to the employee of the provision of a motor vehicle it, or any amount paid in lieu of such provision, remains pensionable until such time as the member leaves employment with the employer who was employing him / her on 31st December 1992 (otherwise than as a result of a transfer to another Scheme employer which is beyond the employee’s control) or ceases to be provided with a motor vehicle or an amount representing the money value to him / her of the provision of such a vehicle.

For a councillor, pensionable pay is the total of any payments of remuneration to the councillor by the local authority under the Local Government (Scotland) Act 2004 (Remuneration) Regulations 2007, including any payments made in respect of a councillor’s functions as a convenor or vice-convenor of a joint board.

Note that unlike in the 2009 Scheme, where benefits are based on the pensionable pay due for a period, not pensionable pay received in that period, benefits in the 2015 career average Scheme will be calculated based on the pensionable pay that is received in the Scheme year (1 April to 31 March) and not the pay due during that period. There is therefore no need to adjust pensionable pay on payment of arrears or other payments which are paid in the current pay period but not related to the current pay period.

Please note, however, that any pensionable pay received after 31st March 2015 that relates to a period prior to 1st April 2015 should not be included in CPP1 or CPP2 – see [section 7](#). Also, any payments made after an employee elects to join the LGPS or is automatically enrolled or re-enrolled into the LGPS that relate to a period prior to the employee joining the LGPS should not be pensionable and so should not be included in CPP1 or CPP2.

\* The reference in entry (j) in the table above to “payments for non-contractual overtime” relates to non-contractual hours worked in excess of the standard full-time working week for the employee in that employment. Such hours will be non-pensionable. However, hours

worked in excess of contracted hours up to the hours of the standard full-time working week for the employee in that employment will be pensionable, as will contractual overtime worked in excess of the standard full-time working week for the employee in that employment.

### **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 is then removed will remain pensionable under the 2015 Scheme (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument). Thus, the position remains the same as in the 2009 Scheme — [see LGPC Circular 244 for more information.](#) However, it should be noted that from 6th April 2017 significant reforms to salary sacrifice arrangements were introduced by the Government which have markedly restricted the types of benefits in kind which can benefit from income tax and National Insurance contribution advantages when provided to employees via a salary sacrifice arrangement.

Where holiday entitlement is sold in return for additional remuneration, the extra pay will (as in the 2009 Scheme) be non-pensionable, because it is a “payment in consideration of loss of holiday”.

Where an employee forgoes remuneration in return for additional days of holiday this is, in effect, authorised unpaid leave of absence. Many employers have introduced such cost saving arrangements as a mechanism to help deal with budget constraints. If such authorised unpaid leave of absence reduces a person's income prior to tax and NIC deductions, the value of this cannot be added back in to a member's pensionable pay as a pensionable emolument because there has been no income tax liability determined on that amount. However, if instead a net deduction is made in respect of the value of the additional leave and income tax and NICs are deducted from the member's full pay, the member's pensionable pay would also be the full amount. This is set out in more detail in the third option described below.

Where a member does forego remuneration in return for additional days of holiday, the Even if an annual leave purchase scheme is an HMRC approved salary sacrifice scheme, the purchased annual leave is only pensionable where income tax liability has been determined on the value of that annual leave.

In the 2009 Scheme the employer and employee were required to pay their respective contributions on the first 30 days of authorised unpaid leave of absence, with the contributions being based on the amount of remuneration the employee would have received but for the absence. However, in the 2015 Scheme, there is no requirement for contributions to be paid for the first 30 days of authorised unpaid leave of absence. Instead, it is the employee's choice as to whether or not 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 5.3](#) for further details.

It should be noted that an employer might take a different approach to that set out above. Instead of introducing a system whereby an employee forgoes remuneration in return for additional days of holiday, the employer might make a change to the employee's contract of employment whereby the employee is only required to work for, say 360 days a year (in the same way that a term-time employee may contractually only be required to work term-time).

In the first approach, if the member is on, say, £20,001 a year and takes 5 days authorised unpaid leave of absence (for which a deduction will be made from pay) the employee contribution rate would be determined on a salary of £20,001 and the employee could purchase the pension 'lost' during those 5 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 (or such longer period as the employer allows), it would be a shared cost APC i.e. the employer would compulsorily have to contribute 2/3rds of the cost of that APC – see [section 5.3](#) for further details. However, under the second approach, the member's salary would be £19,727 and if the member wanted to purchase the equivalent of the pension that would have been earned for another 5 days works they could do so via an APC. However, this would be at whole cost to the member (unless the employer voluntarily agreed to contribute towards the cost of that APC) – see [section 5.3](#) for further details.

A third approach is where the employer continues to pay the employees in full (so each month's pay would attract full tax, National Insurance and pension contributions) but has the agreement of the employee to deduct a net sum on the deductions side of the payslip (i.e. the net sum the employee would have received for the day's leave after deduction of tax, NI and pension contributions). This overcomes the problem of having, in the first approach, to treat the leave as unpaid leave of absence and means there would be no effect on the employee's pension and no need for them to elect to purchase the period via an APC; and it overcomes the problem in the second approach of reducing the employee's pensionable pay.

A net deduction can be made provided it is:

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

[Local authority employers are recommended \(with the recommendation being supported by COSLA\) to adopt the first approach set out above whenever possible to ensure consistent application.](#)

⇒

## 4.2 Assumed Pensionable Pay (APP)

This replaces the concept of notional or 'as was' pay in cases of reduced contractual pay or nil pay as a result of sickness or injury; or during relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) other than any part of that relevant child related leave period where the pensionable pay received is greater than the assumed pensionable pay for that part of the leave period; or whilst on reserve forces service leave (if the employee, although eligible to be in the Armed Forces Pension Scheme during that period, has elected to remain a member of the LGPS). In these circumstances (and only in these circumstances) the amount added to the CPP should be the APP and not any PP received, unless the PP received for any given day in that period is greater than the APP (e.g. pay from KIT day(s), SPLIT day(s) or Stringer day(s)), in which case PP is added to CPP for that day and APP is added for the other days. Note that the APP figure calculated prior to the KIT, SPLIT or Stringer day(s) is not recalculated following the KIT, SPLIT or Stringer day(s) i.e. the same APP figure continues to apply during the remainder of the relevant child related leave.

**Formatted:** Left, Indent: Left: 0.26 cm, Space Before: Auto, Line spacing: At least 13.5 pt, Pattern: Clear (White)

**Formatted:** Font color: Gray-80%

**Formatted:** No bullets or numbering

Please note that APP does not apply to councillor members. It is understood that this is because councillors will continue to receive full councillor allowances whilst sick or on relevant child related leave.

### Calculation

APP is calculated as an annual rate then applied to the relevant period as a proportion of that rate. The annual rate of APP is calculated as follows for any employee whose pay periodicity is other than monthly (e.g. weekly, fortnightly, lunar, quarterly, half yearly).

**Pay periodicity other than monthly** - calculate the average of the pensionable pay for the 12 complete weeks prior to the relevant event after removing any pensionable lump sum payments, but including any APP previously credited in and relating to those pay periods. If arrears of pay are paid in the 12 week period, some or all of which relates to a period prior to the commencement of the 12 week period, the back pay relating to the period prior to the commencement of the 12 week period can be treated as a non-regular lump sum payment and, thus, removed from the calculation. Gross up to an annual figure. If 12 complete weeks' pay does not exist use whatever number of complete periods are available.

The relevant event is the date on which the employee drops to reduced **contractual** pay or nil pay due to long-term sickness or injury, or commences child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave), or the date the member commenced reserve forces service leave.

Note that APP does NOT accrue during any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave available at the end of relevant child related leave; this is to be treated as unpaid leave of absence.

**Monthly paid** - For a monthly paid employee three complete pay periods should be used instead of 12 weeks but the calculation is the same as outlined above (replacing references to "12 complete weeks" with a reference to "3 months").

Note: the calculation of APP can include pensionable pay prior to 1st April 2015 (i.e. where the 12 weeks / 3 months goes back beyond 1st April 2015). This caters, for example, for members who would be on APP from day one of the 2015 Scheme (because on 1st April 2015 they are already on reduced contractual pay or no pay due to sickness or injury). If pensionable pay prior to 1st April 2015 is included it is the pensionable pay as defined under the 2009 Scheme that is included (not what the pre 1st April 2015 pensionable pay would have been if it had been determined under the definition of pensionable pay in the 2015 Scheme). It should also be noted that the LGPS (Scotland) Regulations 2014 do not specify how the grossing up to an annual equivalent pay figure should be performed. For monthly paid employees the calculation is straight forward (see Examples 7A and 7B). However, for employees paid other than monthly, there is no standard procedure. However, whatever multiplier is used should form the basis for the divisor (see the section on 'Proportioning' below).

### **Example 7A**

A monthly paid employee has received the following pensionable pay in the three complete months prior to the relevant event.

Month 1 £1,400, Month 2 £2,500 (including a £1,000 regular bonus and £100 overtime)  
Month 3 £1,400.

The calculation of APP is as follows:

Annual rate of APP =  $(£1,400 + £1,500 + £1,400)/3 * 12 = £17,200$

Note that the £1,000 bonus is removed prior to the averaging and grossing up calculation.

### Lump sums

APP may be increased at the time of calculation where the employer, at their sole discretion, decides to add back into the APP any regular lump sum payment paid in the last 12 months before the relevant event. The employer must determine, at the point APP commences, whether there is a 'reasonable expectation' that a regular lump sum payment received in the previous 12 months would be paid again during the period where APP applies and, if so, whether that lump sum already paid should be added back into the APP annual rate figure.

### Example 7B

In **example 7A**, the member received a regular annual bonus of £1,000 in the period before going on to APP. In calculating the flat rate average APP the lump sum was removed. In deciding whether or not the lump sum should be added back into the APP annual rate the employer should reasonably assess if in their view the employee will still be on APP the next time the lump sum is due to be paid. Therefore, if in the employer's reasonable assessment the period of APP will extend to 11 months or more and the £1,000 bonus would have been paid again within the period of APP then the amount could be added back into the annual APP rate i.e. Annual rate of APP =  $(£1,400 + £1,500 + £1,400)/3 * 12 = £17,200 + £1,000$  (future bonus) = £18,200

It is recognised that the £1,000 has already been included in the CPP prior to going on to APP and so, if added back into APP, this will result in an element of double counting. Employers will wish to take this into consideration when making their decision. The number of cases is likely to be small.

### APP and Separate Employments

The calculation of APP uses the 3 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 during the period of 3 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 the value of the 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 to calculate the APP.

### Proportioning

When determining the proportion of the annual APP rate to be added to the CPP the same method used for determining part periods for other reasons should be maintained.

Therefore, if it is necessary to calculate one day's APP use whatever method is normally used to calculate one day's pay from an annual rate. However, it is important that the method reflects the methodology used to calculate the annualised APP figure. Thus, for example:

- if 12 weeks' pay have been grossed up to an annual rate using the formula  $52/12$  then the divisor for working out a week's pay would then be annual pay/52 (and for a fortnightly paid employee the divisor would be 26 and for a lunar paid employee it would be 13), or
- if 12 weeks' pay have been grossed up to an annual rate using the formula  $52.143/12$  then the divisor for working out a week's pay would then be annual pay/52.143 (and for a fortnightly paid employee the divisor would be 26.0715 and for a lunar paid employee it would be 13.03575), or
- if 12 weeks' pay have been grossed up to an annual rate using the formula  $53/12$  then the divisor for working out a week's pay would then be annual pay/53 (and for a fortnightly paid employee the divisor would be 26.5 and for a lunar paid employee it would be 13.25). Note, however, that using a formula of  $53/12$  is **not** recommended as it produces an incorrect outcome when calculating an annualised Assumed Pensionable Pay figure for use in calculating the ill health pension enhancement for an employee retiring with a Tier 1 or Tier 2 ill health pension, or in calculating the lump sum death grant for a member who dies in service in a year with 53 weeks (compared to the figure that would have been calculated if the person had retired or died in a year with 52 weeks).

Whichever methodology is adopted the weekly pay figure should always come out as the same figure. Thus, if a weekly paid employee is on leave for 3 weeks, the amount of APP is 3 x the calculated weekly APP figure. If a weekly paid employee is absent for 40 weeks, then the amount of APP is 40 x the calculated APP figure (and it is immaterial whether there was a week 53 on payroll falling within that 40 week period – the total APP is still 40 x the calculated APP figure). Thus, if the 40 weeks span a year end in a 52 week year then, for example, 20 of the weeks might fall before the year end and 20 in the following year; but if the year was a 53 week year, 21 would fall before the year end and 19 in the following year.

### Example 8

A monthly paid employee goes on long-term sick leave and drops to reduced pay on 15th June and stays on that until 4th September when they return to normal working. The employee is in the main section throughout. CPP1 is therefore accrued as follows:

June – 14 days of Pensionable Pay plus 16 days at the APP rate

July – APP

August – APP

September – 3 days APP plus 27 days of pensionable pay

Note that in cases of employees on relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) who return for KIT days, SPLIT days or Stringer days the pensionable pay (and not APP) for those days should be added to the CPP if the pensionable pay received for that day is higher than the APP daily rate. The APP applying after the KIT day, SPLIT day or Stringer day will be the same as that applying before the KIT day, SPLIT day or Stringer day (i.e. there is no need to recalculate APP simply because the employee has undertaken a KIT day, SPLIT day or Stringer day during the period of relevant child related leave). Please see [example 18](#) to see how this works for both the CPP and CEC cumulatives.

### Adjusting the APP figure

The APP, as calculated above, is adjusted where the APP figure continues for a period that crosses two 31st March dates. Where an employee is, for example, on long term sick leave, APP is adjusted at midnight on the second 31st March following the date APP commenced. The adjustment is the percentage adjustment specified in the Treasury Revaluation Order for that (second) Scheme year ending on that 31st March. If the APP continues for a further year it will be revalued at midnight on the third 31st March following the date APP commenced. The adjustment is the percentage adjustment specified in the Treasury Revaluation order for that (third) Scheme year ending on that 31st March (and so on thereafter).

### **Example 9**

A monthly paid employee goes on sick leave on reduced pay from 15th June. The annual APP figure is calculated as shown in **example 7B** and is £18,200. At the following 31st March the member is still on sick leave (and, by that time, is on no pay). The annual APP figure of £18,200 is not increased at that 31st March and continues to be used from 1st April. If the employee is still on sick leave (with no pay) at the subsequent 31st March the figure of £18,200 will be adjusted by the annual percentage figure specified in the HM Treasury Revaluation Order. If this is 2%, then the annual APP figure from the second 1st April following the point when the person went onto sick leave on reduced / no pay will be increased to £18,564. The member returns to work on the following 4th September. The employee is in the main section throughout. CPP1 is therefore accrued as follows:

June – 14 days of Pensionable Pay plus 16 days at the APP rate (annual rate of £18,200)

July to March – APP at the annual rate of £18,200

April to March - APP at the annual rate of £18,200

April to August – APP at the annual rate of £18,564

September – 3 days APP (at the annual rate of £18,564) plus 27 days of pensionable pay

### The 50/50 rule

If the member was in the 50/50 section prior to dropping to nil contractual pay because of long-term sickness or injury or dropping to no pay during ordinary maternity, paternity or adoption leave they should be placed in the main section from the beginning of the next pay period (provided, in the case of a member dropping to nil contractual pay because of long-term sickness or injury, they are still on no pay at that time) and the APP added to CPP1 rather than CPP2 as from the beginning of that pay period.

### **Example 10**

A monthly paid employee drops to reduced contractual pay due to sickness on 15th June then on 15th September they drop to nil pay. They return to normal working on 1st December. At the date of the relevant event they were in the 50/50 section of the Scheme. The CPP accrued throughout is as follows:

June – 14 days of pensionable pay plus 16 days of APP is added to CPP2

July – APP is added to CPP2

Aug – APP is added to CPP2

Sept – APP is added to CPP2

Oct – APP is added to CPP1 (next pay period following the drop to nil pay)

Nov – APP added to CPP1

Dec – PP added to CPP1

Note that the employee remains in the main section unless and until they make another election to return to the 50/50 section.

#### Exceptions to 50/50 rule for short periods of sickness

The exception to the 50/50 rule above is for short periods of reduction where the employer has a policy of nil pay for the first X days of sickness. In these cases APP is applied in the pay period of reduction even if this is later than the date of the relevant event. Adjustments do not have to be made in arrears. The employee does not have to be placed back in the main section if they have elected for the 50/50 section. They would have to be placed back in the main section if they eventually went onto no pay following long-term sickness or injury and were still on no pay at the beginning of the next pay period after going on to no pay as a result of the long-term sickness or injury.

#### **Example 11**

A monthly paid employee is off sick for two days in the middle of June and the employer has a policy of nil pay for the first 3 days of sickness. The adjustment to pay is not done until July when two days' pay are taken from that month's payment. The CPP accrued is as follows:

June – PP is added to CPP2

July – PP (which has been reduced by two days) plus 2 days of APP are added to CPP2

Note that the APP figure is calculated by reference to the pensionable pay the member received in respect of that employment in the 3 complete months' preceding the date on which entitlement to pay at a reduced or zero contractual rate commenced. Thus, even though the deduction from pay for the two days sickness did not occur until July, APP is calculated on the pensionable pay paid in the period March, April and May not April, May and June. It is immaterial whether the notification of the two days sickness is notified to payroll in time for the deduction to be made in the June payroll or the July payroll. In either case, the calculation of the APP figure to be added to CPP2 is the same i.e. based on the pensionable pay the member received in respect of that employment in March, April and May.

#### Cessation of APP accrual

APP ceases to accrue when a member ceases to be absent on reduced contractual pay or nil pay following sickness or injury; or on ceasing relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave); or on ceasing reserve forces service leave.

#### APP where a member retires with a Tier 1 or Tier 2 ill health pension or dies 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 or when an active member dies in service. Except in the case of returning officers and acting returning officers (see below) the APP figure is calculated in the normal way but using the average of the pensionable pay for the 12 (weekly) or 3 (monthly) complete pay periods prior to the date of termination / death (including any APP credited in and relating to those pay periods), to which any regular lump sums paid in the 12 months prior to 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.

Where a scheme member holds the post of returning officer at local government elections or Parliamentary elections (including Scottish Parliamentary elections) or as an acting returning officer (including as a regional or local returning officer at European Parliamentary elections), the APP figure is calculated as the annual average pensionable pay the member received relating to that employment in the three years preceding the commencement of the pay period in which the ill-health retirement or death occurred (or received in the period of membership in that employment if less than three years).

### 4.3 Certificates of Protection

Detailed guidance on Certificates of Protection is contained in [Appendix 2](#) of the [HR Guide](#). Payroll providers should note that:

- a) to preserve pay protection for members' benefits, pay records must be kept for up to 13 years after issue of a certificate. This is as is the case for certificates issued under the 2009 or 1998 regulations.
- b) pay records will need to be used to provide a Pensionable Pay Cumulative figure which will be required to be stated on a new certificate. This will be the pensionable pay in the scheme year up to the day before the reduction or restriction in pay.
- c) for members with a certificate issued under the 2009 or 1998 regulations, pay records will be required to facilitate protection for the remaining period of the certificate after 31 March 2015.

Field Code Changed

## 5. Cumulative Contributions

This section is split into sub-sections including cumulative employee contributions (CEC 1 and CEC 2), cumulative employer contributions (CRC), and cumulative additional contributions (CAC and CARC). [section 5.1](#) (and [Appendix 1](#)) is the guidance referred to in Regulation 9(2)(b) of the Local Government Pension Scheme (Scotland) Regulations 2014.

Field Code Changed

### 5.1 Cumulative Employee Contributions (CEC1 and 2)

Employee contribution rates in the 2015 Scheme are based on ranges of pay bands as they are in the 2009 Scheme. Using these bands, an average contribution rate can be calculated to one decimal place for any given pensionable pay figure. Employers should use the "Look

up” Table 2 in Annex C of [Appendix 1](#) which shows these rates to determine the appropriate rate for each member. The table will be updated each year. In the 2015 Scheme the appropriate rates are to be determined by the actual pensionable pay, not the FTE pensionable pay for the employee.

Field Code Changed

### [Contribution rates](#)

The bands of contribution rates are as follows for contributions taken in respect of pensionable pay received from 1st April 2015 (but not on pay due prior to that date which is received on or after that date – see [section 8](#)). The employee pays contributions at the appropriate average rate (derived from “Look up” Table 2 in Annex C of [Appendix 1](#)) on all pensionable pay received in respect of that job (or at half that rate if the employee is in the 50/50 section). Note that 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. Conversely, if the employer determines that a single employment relationship exists (see [section 2](#)) then the pay from each job should be combined to determine the contribution rate.

Field Code Changed

### 2017/185/46

Band	Range	Contribution rate
1	On earnings up to and including £20,750	5.5%
2	On earnings above £20,750 and up to £25,030	7.25%
3	On earnings above £25,000 and up to £34,740	8.5%
4	On earnings above £34,740 up to £46,380	9.5%
5	On earnings above £46,830	12.0%

The figures in the second column (Range) of the table above are to be increased by any increase applied to pensions under the Pensions (Increase) Act 1971 – currently applied each April on the first Monday falling on or after 6th April – using a pensions increase date of 1st April 2014 and rounding the resulting figure down to the nearest £100. The next increase will be applied in **April 2018**.

### Example 12

An employee commences employment and has pensionable earnings of £24,000 (falling within band 2). The employee will pay 5.5% on pensionable pay up to and including £20,750 per annum (or 2.25% if in the 50/50 section) and 7.25% on pensionable pay above £20,750 per annum (or 3.625% if in the 50/50 section). This equates to an average rate of 5.78% (or 2.859% if in the 50/50 section) as per “Look up” Table 2 in Annex C of [Appendix 1](#).

Field Code Changed

The rates in the “Look up” Table 2 in Annex C of [Appendix 1](#) will change from time to time so should not be hard coded into payroll systems. Systems should have the ability to change the rates in the “Look up” Table.

Field Code Changed

### [Assessment of member contribution rates](#)

Employers will:

- on 1st April 2015 for existing Scheme members, and
- upon commencement of employment for new employees, and
- upon an employee opting into the 2015 Scheme, and
- upon an employee being automatically enrolled or automatically re-enrolled into the 2015 Scheme under the Pensions Act 2008, and
- upon an employee being enrolled following an extension of a contract of employment from less than 3 months to 3 months or more

need to determine the correct average rate for the employee and notify payroll accordingly (unless the employer has decided to use an automated contribution rate allocation process with the payroll provider). For part time workers, workers on 'zero hours' contracts and workers on variable hours contracts, etc. this will require an assumption to be made of the pensionable pay the person will receive in the Scheme year.

Employees will remain on that average rate unless and until the payroll is notified during the Scheme year of a permanent material change to the member's terms and conditions of employment which affect the member's pensionable pay.

Employers must reassess the appropriate average rate each April (taking account of any increase in the figures in "Look up" Table 2 in Annex C of [Appendix 1](#)) and are required by the regulations to review the appropriate average rate *'when there has been a permanent material change to the terms and conditions of a member's employment which affect the member's pensionable pay in the course of a financial year'*. This would, for example, be where there is a variation to a member's contractual hours, or a promotion / demotion, or re-grading or a change of job, or a move from a casual post to one with contractual hours. This can result in a retrospective reallocation to a different contribution rate with a consequential adjustment to the employee contributions due (e.g. where there is a retrospective pay award or retrospective re-grading) but the employer can decide to only apply the new rate from the date the pay award or re-grading is actioned on the payroll. Where a change to a member's contractual hours is not considered permanent by the employer (e.g. where there are frequent changes) an employer may decide to ignore the changes and assess at the next 1st April.

Field Code Changed

A change in the number of non-contractual excess hours being worked by a member would not constitute a change to the terms and conditions of the member's employment and, therefore, would not result in a rate reassessment part way through a Scheme year but should be taken into account when assessing the rate at the next 1st April. Similarly, an increment or pay rise made part way through a scheme year is not a permanent material change to a member's terms and conditions of employment (but, rather, the fulfilment of an existing term or condition) and so would not, in itself, warrant a reassessment of the contribution rate but should be taken into account when assessing the rate at the next 1st April.

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.

Further guidance on the operation of contribution assessment is shown in [Appendix 1](#).

Field Code Changed

### Example 13

An employee commences part time employment at an FTE rate of £35,000 per annum but is contracted to work 17.5 hours per week in a job where the full time hours are 35. The

appropriate rate on commencement would normally be derived from band 1 as the employee's actual pay will be £17,500 in the Scheme year.

#### Example 14

When the same employee completes one Scheme year it is clear that they are regularly working additional hours which brought their actual pensionable pay in the year up to £24,000. The employer should decide to place the employee in band 2 if they consider such hours will continue to be worked, resulting in a contribution rate of 5.5% on pensionable pay up to and including £20,750 per annum (or 2.25% if in the 50/50 section) and 7.25% on pensionable pay above £20,750 per annum (or 3.625% if in the 50/50 section). This equates to an average rate of 5.78% (or 2.859% if in the 50/50 section) as per "Look up" Table 2 in Annex C of [Appendix 1](#).

Field Code Changed

#### Example 15

The same employee agrees to go full time part way through the second Scheme year and is issued with a new contract. At that point the employer would determine that the appropriate band is band 4 as the actual pensionable pay will be £35,000 from that point on. That would result in a contribution rate of 5.5% on pensionable pay up to and including £20,750 per annum (or 2.25% if in the 50/50 section), 7.25% on pensionable pay above £20,570 and up to £25,300 per annum (or 3.625% if in the 50/50 section), 8.5% on pensionable pay above £25,300 and up to £34,740 per annum (or 4.25% if in the 50/50 section), and 9.5% on pensionable pay above £34,740 per annum (or 4.75% if in the 50/50 section). This equates to an average rate of 6.6% (or 3.3% if in the 50/50 section) as per "Look up" Table 2 in Annex C of [Appendix 1](#).

Field Code Changed

#### 50/50 section contributions

If, at any time, the employee is in the 50/50 section the employee contributions during the period in which they are in that section are calculated using the same bands and rates as above. However the rate for each band is halved. Membership of the 50/50 section does not affect the appropriate band as the amount of pensionable pay does not change. When in the 50/50 section, employee contributions should be added to the CEC2 cumulative and not the CEC1 cumulative. Note that employer contributions are payable at the full employer rate (and not 50% of the normal employer rate).

#### Example 16

The employee in example 15 opts for the 50/50 section in July and submits the election form after the July payroll has been closed. The contributions in July and August are:

July – PP in period x 6.6% added to CEC1 (and PP in period added to CPP1)

August – PP in period x 3.3% (6.6%/2) added to CEC2 (and PP in period added to CPP2)

Movements between the two sections of the Scheme will take effect from the next available pay period and, therefore, payrolls should not have to split contributions between CEC1 and CEC2 in the same pay period (or split PP between CPP1 and CPP2 in the same pay period).

#### Contributions during periods of reduced or nil pay

If the employee has a reduction in pay they will continue to pay contributions on the amount of pensionable pay (PP) received (if any) and NOT on any amount of APP being added to

the CPP. The only exception to this is in the case of employees on reserve forces service leave. In those cases, the employee pays contributions on APP and not on any pensionable pay received from the Scheme employer. However, the employee contributions on the APP figure are not deducted via the employer's payroll but, instead, they are usually deducted by the MoD from the reservists pay which they pay to the person. The contributions are then paid over to the Pension Fund by the MoD. If the contributions were not deducted from the reservists pay by the MoD, the member would have to pay the contributions direct to the Fund and claim the tax relief from HMRC via self-assessment.

If the employee is in the 50/50 section and goes onto no pay due to long-term 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. Additionally, if the employee is in the 50/50 section and drops to no pay during ordinary maternity, paternity or adoption leave they should be placed in the main section from the beginning of the next pay period.

#### Example 17

An employee on £35,000 per annum drops to reduced contractual pay on 15th June due to sickness and then on 15th September they drop to nil pay. They return to normal working on 1st December. At the date of the relevant event they were in the 50/50 section of the Scheme and were in contribution band 4 and paying 3.3% (half of the 6.6% average from "Look up" Table 2 in Annex C of [Appendix 1](#)). The contributions calculated and CEC accrued throughout is as follows.

June – PP x 3.3% added to CEC2

July – PP x 3.3% added to CEC2

Aug – PP x 3.3% added to CEC2

Sept – PP (i.e. 14/30 of normal month's pensionable pay) x 3.3% added to CEC2

Oct – PP x 6.6% (= £nil) added to CEC1 (next pay period following drop to nil pay)

Nov – PP x 6.6% (= £nil) added to CEC1

Dec – PP x 6.6% added to CEC1

Note that although pensionable pay dropped to half from 15th June and to no pay from 15th September, the reductions in pensionable pay are ignored when determining the relevant contribution rate. Thus, the employee remains in band 4 (average of 6.6%), equating to 3.3% whilst in the 50/50 section. Note also that although, whilst on sick leave, the person was in receipt of PP during the period to 14th September, the PP received during the period 15th June to 14th September is not added into CPP2. Instead, APP accrues during the period of sick leave on reduced contractual pay and no pay and is added into CPP2 for the period 15th June to 30th September and into CPP1 for the period 1st October to 30th November.

#### KIT days / SPLIT days/ Stringer days

When on child related leave the employee may return for KIT days, SPLIT days or have Stringer days. On these days contributions should be taken on the pay received for that day at the rate appropriate for that pay period.

#### Example 18

A monthly paid employee on £35,712 per annum goes onto maternity leave from 16th June 2017<sup>5</sup>. The ordinary maternity leave and paid additional maternity leave run out after 39 weeks (i.e. on 15th March 2018<sup>6</sup>). She is in the main section of the Scheme and is paying a contribution rate of 6.67%. She returns for a KIT day in November. PP is accrued on that KIT day is added into CPP1 and APP is not added to CPP1 for that day. The calculations for CEC1 and CPP1 are:

Month	CEC1	CPP1
June	PP x 6.67%	15 days of PP plus 15 days of APP
July	PP x 6.67%	APP
Aug	PP x 6.67%	APP
Sept	PP x 6.67%	APP
Oct	PP x 6.67%	APP
Nov	PP x 6.67% (KIT day at 6.8%)	One month less one day of APP plus PP on KIT day
Dec	PP x 6.67%	APP
Jan	PP x 6.67%	APP
Feb	PP x 6.67%	APP
March	15 days PP x 6.67%	15 days APP
April	Nil	Nil

### Example 19

For the example above and assuming an unreduced monthly pay figure of £2,976 (£684.89 per week), conditions of service providing 6 weeks at 9/10ths pay, followed by 12 weeks at half pay plus SMP of £138,18140.98 per week, followed by SMP of £138,18140.98 per week for 21 weeks and an APP monthly rate of £2,976 (£684.89 per week i.e. £2,976 x 12/52.143) the amounts allocated to CEC1 and CPP1 cumulatives would be as shown in the following table. Please note that this is one example of the methodology. It is not the only one as we are aware that the methodology adopted by employers to pay SMP varies across employers.

Month	CEC1	CPP1
June	$(15/30 \times £2,976) + (2.2 \text{ weeks} \times £684.89 \times 9/10) \times 6.67\% = £187,71490.55$	$(15/30 \times £2,976) + (15/30 \times £2,976) = £2,976$
July	$(3.8 \text{ weeks} \times £684.89 \times 9/10) + (0.8 \text{ weeks} \times £684.89 \times 0.5) + (0.8 \text{ weeks} \times £138,18140.98) \times 6.67\% = £182,70180.12$	£2,976
Aug	$(4.2 \text{ weeks} \times £684.89 \times 0.5) + (4.2 \text{ weeks} \times £138,18140.98) \times 6.67\% = £134,015.25$	£2,976
Sept	$(4.4 \text{ weeks} \times £684.89 \times 0.5) + (4.4 \text{ weeks} \times £138,18140.98) \times 6.67\% = £141,69140.39$	£2,976

Oct	$(2.6 \text{ weeks} \times \text{£}684.89 \times 0.5) + (2.6 \text{ weeks} \times \text{£}138.18140.98) + (2 \text{ weeks} \times \text{£}138.18140.98) \times 6.67\% = \text{£}102.241.57$	£2,976
Nov	$(3.8 \text{ weeks} \times \text{£}138.18140.98) + \text{KIT day } \text{£}99.20 \times 6.67\% = \text{£}41.9082$	£2,876.80 plus £99.20 KIT day = £2,976
Dec	$(4.6 \text{ weeks} \times \text{£}138.18140.98) \times 6.67\% = \text{£}42.8058$	£2,976
Jan	$(4.4 \text{ weeks} \times \text{£}138.18140.98) \times 6.67\% = \text{£}40.9474$	£2,976
Feb	$(4 \text{ weeks} \times \text{£}138.18140.98) \times 6.67\% = \text{£}37.2203$	£2,976
March	$(2 \text{ weeks} \times \text{£}138.18140.98) \times 6.67\% = \text{£}18.6152$	$(15/31 \times \text{£}2,976) = \text{£}1,440$
April	Nil	Nil

## 5.2 Cumulative Employer Contributions (CRC)

Employer contributions are not split between the two sections of the Scheme and are based on:

- the actual pensionable pay received by the employee in the pay period or part pay period i.e. the amounts added to CPP1 and CPP2 (not including any APP) except where the bullet point below applies, in which case the employer contributions are payable on the APP figure and not on any pay received whilst APP is in operation.  $\text{CRC} = (\text{CPP1}(\text{not including any APP}) + \text{CPP2}(\text{not including any APP})) \times \text{employer contribution rate}$
- the APP figure for the pay period (or part pay period) during which the member is on relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave, or paid additional maternity or adoption leave), or on sick leave on reduced contractual or no pay, or on reserve forces service leave. Note, however, that during any part of relevant child related where the pensionable pay received is greater than APP the employer contributions are due on that pay (and not on APP). Note also that during reserve forces service leave the Scheme employer does not directly pay employer contributions on the APP (and so there is no employer contribution to deduct via the payroll). Instead, the employer contributions on the APP figure are remitted by the MoD direct to the Pension Fund.  $\text{CRC} = (\text{CPP1 i.e. APP} + \text{CPP2 i.e. APP}) \times \text{employer contribution rate}$

The employer contribution rate will be a single rate for all employees of that employer and will be subject to change possibly annually but almost certainly after each triennial valuation of the Pension Fund. Rates should therefore not be hard coded into payroll systems. Employers will be responsible for notifying payrolls of the employer contribution rate and any subsequent changes to it. If the employee is in the 50/50 section, the employer must still pay at full rate (not at half rate).

## 5.3 Cumulative Additional Contributions (CAC, CARC) - per job

### Additional Pension Contributions (APC)

Additional Pension Contributions can be made by both or either the employee and the employer. The cost of an APC can be met in full by the employee, or in full by the employer, or may be split between employee and employer (in any proportion agreed between the employee and the employer, but not 100% cost to the employer). Where an employer and employee both contribute this is known as a shared cost APC (SCAPC). A councillor can purchase additional pension via an APC. However, a SCAPC cannot be entered into in respect of a councillor and an authority cannot grant additional pension to a councillor at full cost to the authority.

APC / SCAPC contributions may be one off or regular and will always be cash amounts not percentages. If the contributions are regular the employer will notify the payroll of the employee amount to be deducted per pay period, and the employer amount (if any) to be paid per pay period, and the number of payments in the APC contract. If the employee has more than one pensionable employment, the notification must also specify the employment to which the APC contract is to be attached.

#### **Example 20**

Payroll is notified that an employee has elected to pay a one off APC of £500. This amount should be deducted in the pay period following notification and £500 added to the EAPC CAC cumulative for that job for that scheme year.

#### **Example 21**

Payroll is notified that an employee has elected to pay an APC of £50 per month for the next 60 pay periods. This deduction should commence in the pay period following notification and £50 added each month in the scheme year to the EAPC CAC cumulative for that job.

Employers may agree to share the cost of APC contracts either on a one off or regular basis. Except for SCAPC contracts taken out to cover the pension "lost" during a period of unpaid leave of absence (including any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave following a period of relevant child related leave i.e. following a period of ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave but excluding any period of unpaid absence due to industrial action) the employer share can vary across employees but the combined amount in respect of any individual employee will be consistent throughout the contract. Where a SCAPC contract is taken out to cover the pension "lost" during a period of unpaid leave of absence, the cost is, for any individual period of absence up to 36 months, shared 1/3rd employee, 2/3rds employer (where the member makes the SCAPC election within 30 days of returning from the absence, or such longer period as the employer allows). 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.

#### **Example 22**

Payroll is notified that the employer has agreed to share equally with the employee a one off APC of £500. The employee's £250 should be deducted in the pay period following notification with £250 added to the EAPC CAC and £250 added to the RAPC CARC cumulatives for that job.

#### **Example 23**

Payroll is notified that an employer has agreed to share equally with the employee an APC of £50 per month for the next 60 pay periods. The employee's deduction of £25 should commence in the pay period following notification and £25 added each month in the scheme year to each of the EAPC CAC and RAPC CARC cumulatives for that job.

Note that:

- during any period of sickness or injury on reduced contractual pay, any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract). The payments need to be added to the EAPC CAC and, as appropriate, the RAPC CARC cumulative for that job. If the employee is in receipt of no pay the employee contributions to an APC / SCAPC are deemed to have been paid but the deemed contributions are not to be added into the EAPC CAC cumulative for that job, and the employer contributions to an APC / SCAPC should always be collected and added into the RAPC CARC cumulative for that job
- during any period of relevant child related leave (ordinary maternity, paternity or adoption leave or paid shared parental leave and paid additional maternity or adoption leave) any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract) and the payments need to be added to the EAPC CAC and, as appropriate, the RAPC CARC cumulative for that job. If the employee is in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job but the employee payments due to an APC or SCAPC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid)
- during any other period of child related leave (i.e. during unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave) any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract). Although the employee is in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job but the employee payments that were due to an APC or SCAPC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid)
- during any period of absence due to a trade dispute or a period of unpaid unauthorised absence any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract). Although the employee is in receipt of no pay for the period of the trade dispute, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job. The employee payments that were due to an APC or SCAPC should be deducted and added to the relevant EAPC CAC cumulative for that job if there is enough pay in the period from which to deduct the payment. Otherwise, the employee payment that was due to an APC or SCAPC will roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid)
- during any period of reserve forces service leave any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract) but (other than the employer contributions to a SCAPC) not via payroll. The employer sends the

relevant details to the reservist to pass on to MoD in order to get them to arrange the relevant APC deductions from MoD reservist pay and for MoD to pay these over to the LGPS Fund.

- during any other period of authorised leave of absence any pre-existing APC / SCAPC contracts remain payable (unless the member elects to end the contract). Although the employee may be in receipt of no pay, the employer contributions to a SCAPC remain payable and should be added to the RAPC CARC cumulative for that job but any of the employee payments that were due to an APC or SCPAC which could not be collected roll over as a debt to be recovered from pay upon return to work (when they will be added into the EAPC CAC cumulative for that job) or, failing that, by direct payment by the individual to the administering authority / deduction from pension benefits when paid)

### **Additional Voluntary Contributions (AVC)**

Additional Voluntary Contributions can be made by the employee or, in the case of a shared cost AVC (SCAVC), by both the employer and employee. A SCAVC cannot be entered into in respect of a councillor. 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 split between an employee's and employer's additional contributions for an SCAVC can be any ratio as agreed but not 100% cost to the employer.

#### **Example 24**

Payroll is notified that an employee has elected to pay an ongoing (life assurance) AVC of £100 per month. This amount should be deducted commencing in the pay period following notification and £100 added to the EAVC CAC cumulative each month in the scheme year for that job.

#### **Example 25**

Payroll is notified that an employee has elected to pay an ongoing (non-life assurance) AVC of 5% of pay per month. This deduction should commence in the pay period following notification and the amount of AVC collected each month added to the EAVC CAC cumulative in the scheme year for that job. Employers may agree to share the cost of an AVC contract. This share can vary across employees but the proportion for any individual employee will not vary.

#### **Example 26**

Payroll is notified that the employer has agreed to a shared cost (non-life assurance) AVC with an employee, with the employee contributing £60 per month and the employer contributing £40 per month. The AVC deduction should commence in the pay period following notification with the contributions from the employee's £60 per month deduction added to the EAVC CAC and the amount from the employer's £40 per month contribution added to the RAVC CARC cumulatives each month in the scheme year for that job.

#### **Example 27**

Payroll is notified that the employer has agreed to a shared cost (non-life assurance) AVC with an employee, with the employee contributing 3% of pay per month and the employer

contributing 2% of pay per month. The AVC deduction should commence in the pay period following notification with the contributions from the employee's 3% deduction added to the EAVC CAC and the amount from the employer's 2% contribution added to the RAVC CARC cumulatives each month in the scheme year for that job.

Note that:

- during any period of sickness on reduced contractual pay or no pay, any pre-existing AVC / SCAVC contracts entered into after 31st March 2015 remain payable only whilst there is enough pay to cover them (unless the member, or the employer in the case of a SCAVC, elects to end the contract). The payments need to be added to the EAVC CAC and, as appropriate, RAVC CARC cumulatives for that job. No AVC / SCAVC contributions are payable whilst the employee is on no pay and nothing is to be added to the EAVC CAC or, as appropriate, RAVC CARC cumulatives for that job whilst the employee is on no pay. Note that the employer element of SCAVC in respect of pension sacrifice is not payable in full where the employee is on reduced or no pay i.e. during the half pay period the employer contribution is half and during the no pay period the employer makes no contribution – this is the line taken by Northumberland CC who are the only authority we are aware of that currently has a SCAVC in respect of pension sacrifice.
- during any period of relevant child related leave (ordinary maternity, paternity or adoption leave or paid shared parental leave and paid additional maternity or adoption leave) any pre-existing AVCs / SCAVC contracts entered into after 31st March 2015 remain payable (unless the member, or the employer in the case of a SCAVC, elects to end the contract) whilst there is enough pay to cover them. The payments made need to be added to the EAVC CAC and, as appropriate, RAVC CARC cumulatives for that job. Note that the employer element of SCAVC in respect of pension sacrifice must continue to be paid in full on APP or, for any days during the relevant child related leave period where pay received is greater than APP, on the pay received and added to the RAVC CARC cumulative for that job.
- during any other period of child related leave (i.e. during unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave) the member may elect to continue with any pre-existing AVC / SCAVC entered into after 31st March 2015 and, if the member does so, the employer must meet cost of the employer element of any SCAVC. However, in reality this is not an option on the payroll as there is no pay from which to collect AVCs / SCAVCs.
- during any period of absence due to a trade dispute the member may elect to continue with any pre-existing AVC / SCAVC contracts entered into after 31st March 2015 and, if the member does so, the employer must meet cost of the employer element of any SCAVC. The employer contributions to a SCAVC should be added to the RAVC CARC cumulative for that job and the employee contributions to the AVC or SCAVC should be added to the EAVC CAC cumulative for that job.
- during any period of reserve forces service leave any pre-existing AVCs / SCAVC contracts entered into after 31st March 2015 remain payable (unless the member, or the employer in the case of a SCAVC, elects to end the contract) but (other than the employer contributions to a SCAVC) not via payroll. The employer sends the relevant details to the reservist to pass on to MoD in order to get them to arrange the relevant AVC deductions from MoD reservist pay and for MoD to pay these over to the AVC provider.
- during any other period of authorised leave of absence the member may elect to continue with any pre-existing AVC / SCAVC contracts entered into after 31st March

2015 and, if the member does so, the employer must meet cost of the employer element of any SCAVC. However, in reality this is not an option on the payroll as there is no pay from which to collect AVCs / SCAVCs.

See [section 6.4](#) for AVC / SCAVC contracts entered into before 1st April 2015.

## 6. Scheme Data

This section deals with the data requirements for Scheme members who have pre 2015 benefits. It contains information on final pay, part time hours, breaks in membership and existing additional pension contracts.

### 6.1 Final Pay

Employers will still be responsible for calculating and providing to the Pension Fund administering authority:

- a) Final Pay (2009 Scheme definition) at each 31st March, and on ceasing membership of the Scheme (opting out, or termination of pensionable employment, or attaining age 75), for use in calculating pre 2015 benefits (other than for councillors), and
- b) Final Pay at Normal Pension Age (NPA) (2009 Scheme definition – normally age 65) or at the date of cessation of active membership, if earlier, to enable the Pension Fund administering authority to calculate the underpin on the post 31st March 2015 benefits for those members to whom the underpin calculation applies. The underpin has to be calculated for those members (other than councillors) who:
  - were active members on 31st March 2012,
  - were within 10 years of their NPA on 1st April 2012,
  - have not (after 31st March 2012) had a continuous break of more than 5 years in membership of a public service pension scheme,
  - have not already drawn any benefits from the 2015 Scheme in relation to the employment (e.g. upon flexible retirement), and
  - have either ceased to be an active member before NPA (2009 Scheme definition) or are still an active member at NPA (2009 Scheme definition).

The final pay figure (2009 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. (NB: the underpin is calculated at NPA for those who continue working beyond NPA).

It should be noted that for the purposes of (a) and (b) above, if the employee elects to cover the whole of the amount of any pension 'lost' during a period of absence due to a trade dispute, authorised unpaid leave of absence or unpaid additional maternity, paternity 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.

It should also be noted that, where a Scheme member is subject to a reduction or restriction in pay and has been issued with a certificate of protection of pension benefits under regulation 22 of the LGPS (Scotland) Regulations 1998, or regulation 43 of the LGPS (Administration) Regulations 2008, or regulation 93 of the LGPS (Scotland) Regulations 2014, the certificate of protection will 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 2015 – see [section 4.3](#).

## 6.2 Changes in Contractual Part Time Hours and/ or Contractual Weeks/ Contractual Days per year

For part time employees with LGPS membership prior to 1st April 2015 employers will still be required to notify Pension Fund administering authorities of changes in contractual hours (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 (see [section 6.1\(b\)](#)) where the change occurs prior to NPA (2009 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(5) of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (minimum ill health enhancement for those who were active members before 1st April 2009) as a change in contractual hours can affect the level of the minimum ill health enhancement.

For employees with LGPS membership prior to 1st April 2015 employers will still be required to notify Pension Fund administering authorities of any changes in contractual weeks / contractual days per year (if the administering authority prorates the membership of employees whose contractual weeks / contractual days per year are less than 52 per annum / 365 per year) but only for:

- members to whom the underpin calculation applies where the change occurs prior to NPA (2009 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(5) of the LGPS (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (minimum ill health enhancement for those who were active members before 1st April 2009) as a change in contractual weeks can affect the level of the minimum ill health enhancement.

For all employees covered by either of the paragraphs above, employers will need to provide, at each 31st March, the relevant changes that have occurred during the Scheme year (as the information is required by the Pension Fund administering authority to calculate the member's benefits for the purposes of the Annual Benefits 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.

## 6.3 Breaks in membership

Employers will still be responsible for providing details to the Pension Fund administering authority of breaks in “membership” that occur prior to Normal Pension Age (NPA) (2009 Scheme definition) due to:

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

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 the period of unpaid leave of absence (with compulsory employer contributions to a Shared Cost APC being limited to cover a maximum period of 36 months) or period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave. Note that unauthorised unpaid absences will always constitute a break as there is no facility to pay an APC specifically to cover the whole of the pension that would have accrued during such a period of absence.

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

- whether the final salary benefit underpin for members subject to the underpin exceeds their post 31st March 2015 CARE pension, and
- 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).

## 6.4 Existing additional pension contracts

Existing Additional Voluntary Contribution (AVC), shared cost Additional Voluntary Contribution (SCAVC), Additional Regular Contribution (ARC), Preston part-time buy-back, added years, and Additional Survivor Benefit Contributions (ASBC) contracts in force immediately prior to 1st April 2015 will continue.

It should be noted that if a member paying additional contributions under such contracts moves to the 50/50 section of the Scheme, the additional contributions under such contracts remain payable in full and are not reduced to half rate.

### Additional Voluntary Contributions

Contributions made by an employee to an AVC or, in the case of a shared cost AVC (SCAVC), made by both the employer and employee, continue to be payable in respect of a contract taken out before 1st April 2015 (unless the employee, or the employer in the case of a SCAVC, elects to end the contract). Such contributions will be either a cash amount or a percentage of pensionable pay, payable per pay period. Where a member is paying a

percentage of their pensionable pay towards their AVC and the contract was taken out before 1st April 2015 the amount deducted from their pay in each pay period will be based on their pensionable pay (as defined under the 2009 scheme) in that pay period.

It should be noted that during any period of:

- sickness on reduced contractual pay or no pay, or
- relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus paid additional maternity or adoption leave) plus unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, or
- reserve forces service leave, 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 can continue with any pre-existing AVC / SCAVC contract entered into before 1st April 2015 (or can elect to cease the contract). If the member continues with the contract, and is paying AVCs for additional life assurance cover, they 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.

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

Contributions under existing ARC contracts entered into before 1st April 2015 continue to be payable (but the member can elect to cease the contract). Payments under these contracts are flat sums payable per pay period (not percentages of pensionable pay).

It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus paid additional maternity or adoption leave) plus unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, or
- 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 ARC contract entered into before 1st April 2015 (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 ARC contract on the pay received. They do not pay contributions under the ARC 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 ARC contract (the contributions are deemed to have been paid).

No new ARC contracts can be taken out after 31st March 2015 (but the member can take out an Additional Pension Contributions contract).

### Added years contracts

Existing contracts entered into by members who elected before 1st April 2009 to purchase added years of membership continue in force (unless the member elects to cease the contract). Payments under these contracts are expressed as a percentage of the member's pensionable pay (2009 Scheme definition of pensionable pay). The contributions should only be deducted on the 2009 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2015 Scheme but which was not pensionable in the 2009 Scheme – such as pay for hours worked in excess of contracted hours up to the hours of the standard full-time working week for the employee in that employment.

It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus paid additional maternity or adoption leave) plus unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, or
- 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 1st April 2009 (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 that 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).

It should be noted that during any period of:

- sickness on reduced contractual pay or no pay, or
- relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus paid additional maternity or adoption leave) plus unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, or

- reserve forces service leave, 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 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 employee elects to end the contract). Members who had ~~not~~<sup>ve</sup> not entered into an ASBC contract for all or part of their pre 6th April 1988 membership to count for a cohabitee survivor's pension by the end of 31<sup>st</sup> March 2015 ~~can no longer do so will not be able to enter into a contract to achieve this after 31st March 2015~~. Payments under existing ASBC contracts at 31st March 2015 are expressed as a percentage of the member's full time equivalent pensionable pay (2009 Scheme definition of pensionable pay). The contributions should only be deducted on the 2009 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2015 Scheme but which was not pensionable in the 2009 Scheme – such as non-contractual overtime).

Formatted: Superscript

It should be noted that during any period of:

- relevant child related leave (ordinary maternity, adoption or paternity leave or paid shared parental leave, plus paid additional maternity or adoption leave) plus unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave, or
- 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 ASBC contract entered into before 1st April 2015 (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).

#### **7. Payments in respect of a period prior to 1st April 2015 which are made after 31st March 2015**

Where a payment is made after 31st March 2015 that relates to a period prior to 1st April 2015 the employee contribution rate under the 2009 Scheme should be applied to that pay. It is acceptable for the employer contribution rate applicable at the time of payment to be applied to the pre (and post) 2015 pensionable pay. Note, however, that the pensionable pay for the pre 2015 element should be based on the 2009 Scheme definition of pensionable pay (e.g. excluding non-contractual overtime) and not the 2015 Scheme definition of pensionable pay (which would, for example, include non-contractual overtime for overtime worked up to the hours of the standard full-time working week for the employee in that employment).

Note that any pensionable pay received after 31st March 2015 which relates to a period prior to 1st April 2015 should not be included in CPP1 or CPP2.

## **8. Absences spanning 31st March 2015/ 1st April 2015**

Where an absence spans 31st March 2015 and 1st April 2015 the absence prior to 1st April 2015 should be dealt with in accordance with the 2009 Scheme rules (see the paragraphs below) and the absence post 31st March 2015 should be dealt with in accordance with the 2015 Scheme rules (see [section 5.3](#)).

### **2009 Scheme – rules for absences before 1st April 2015**

#### **Authorised unpaid leave of absence**

For any period of authorised unpaid leave of absence falling before 1st April 2015, employee and employer pension contributions must be paid for the first 30 days of absence (or up to 31st March 2015 if the 30 day period extends beyond that date). The contributions are payable on the pay the person would have received but for the absence. Where the absence extends beyond 30 days the employee may elect, within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow, to pay contributions for the remainder of that part of the absence that falls before 1st April 2015 (subject to a maximum absence period of three years). Those contributions would, just like the contributions due for the first 30 days of absence, be based on the pay the person would have received but for the absence. If they make such an election the employer must also pay contributions on that amount of pay. Where contributions are paid, the period counts as pre 2015 membership.

#### **Unauthorised unpaid absence**

Any absence falling before 1st April 2015 which is unauthorised by the employer and for which the employee receives no pay does not count as membership and contributions cannot be deducted in respect of the absence, whatever the length.

#### **Jury Service**

Jury service is a special type of absence. Employee and employer pension contributions are mandatory for the whole of any jury service falling before 1st April 2015 (and not just the first 30 days) and are based on the pay the person would have received but for the absence.

#### **Trade dispute**

Absence due to a trade dispute is treated, initially, the same as unauthorised absence, inasmuch as no pension contributions are payable and the membership does not count. However, the employee may elect within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow, to make a payment, if they so wish, in respect of that part of the absence falling before 1st April 2015. The payment is the equivalent of 16% of the “lost” pay falling before that date and, if paid, entitles the member to count the period of absence due to a trade dispute prior to 1st April 2015 as membership. No employer contributions are due for that period.

#### Child-related leave

During any period of ordinary maternity, paternity or adoption leave and during any **paid** additional maternity, paternity or adoption leave falling before 1st April 2015 an employee **must** continue to pay pension contributions on the actual pay, if any, they are receiving. Benefits will continue to accrue as if they were working normally on full pay. The employer pension contributions are payable on notional full pay.

The employee can elect within 30 days of returning to work (or within 30 days of leaving if the employee does not return) or such longer period as the employer may allow, to pay pension contributions for any period of unpaid additional maternity, paternity or adoption leave falling before 1st April 2015 so that the period of absence will count in full for pension purposes. The contributions will be calculated on the rate of pay (or reduced pay) that they were entitled to receive immediately before they commenced the period of unpaid leave. If they elect to pay contributions for this period, the employer will pay contributions on the employee’s notional full pay for that period.

#### Reserve forces service leave

During any period of reserve forces service leave falling before 1st April 2015 the employee will continue to accrue membership but will only have to pay pension contributions on their reserve forces pay if it equals or exceeds their normal pay for that period; otherwise, no employee contributions are due from their reserve forces pay. The Ministry of Defence will be responsible for employer contributions during that period of time.

#### Additional contributions

The rules governing the payment of contributions under various types of added years, additional pension and AVC contracts that were entered into before 1st April 2015 are set out in [section 6.4](#).

### 9. Monthly payover of contributions

Employers participating in the Scheme are required to pay over to the appropriate Pension Fund all contributions paid by employees (both basic contributions and employee contributions to an APC or SCAPC). The amount must be paid over as shown below:

- a) if the employee is enrolled (or re-enrolled) into the LGPS under the provisions of the Pensions Act 2008, the employee contributions deducted from pay in the first three months have to be paid over
  - where the payment is by means of an electronic communication, by no later than 22 days from the end of the month falling three months from the date the employee became a member of the Scheme, or

- if payment is made by any other means, by no later than 19 days from the end of the month falling three months from the date the employee became a member of the Scheme

OR

b) if in any other case (e.g. where the employee is contractually enrolled into the LGPS, or for contributions deducted from pay more than three months after being enrolled or re-enrolled under the provisions of the Pensions Act 2008), the employee contributions deducted from pay have had to be paid over

- where the payment is by means of an electronic communication, by no later than 22 days after the end of the month in which the contributions were deducted from pay; or
- in any other case, by no later than 19 days after the end of the month in which the contributions were deducted from pay

OR

c) any such earlier time as the Pension Fund administering authority may stipulate.

The payment must be accompanied by a statement, in such form as the appropriate Pension Fund administering authority specifies, showing:

- a. the total pensionable pay (CPP1) received by members whilst they were in the main section of the Scheme during the period covered by the statement (including the assumed pensionable pay members were treated as receiving during that period)
- b. the total employee contributions (CEC1) deducted from the pensionable pay referred to in (a)
- c. the total pensionable pay (CPP2) received by members whilst they were in the 50/50 section of the Scheme during the period covered by the statement (including the assumed pensionable pay members were treated as receiving during that period),
- d. the total employee contributions (CEC2) deducted from the pensionable pay referred to in (c)
- e. the total employer contributions (CRC) in respect of the pensionable pay referred to in (a) and (c)
- f. the total Additional Pension Contributions (EAPC CAC) paid by members during the period covered by the statement, and
- g. the total Additional Pension Contributions (RAPC CARC) paid by the employer during the period covered by the statement.

Employers participating in the Scheme are required to pay over to the appropriate Pension Fund all contributions paid by employers (both basic contributions and the employer contributions to a SCAPC). The employer contributions must be paid over to the appropriate Pension Fund on or before such dates falling at intervals as the Pension Fund administering authority may specify. It is common practice for the employer contributions to be paid over to the appropriate Pension Fund at the same time as the employee contributions.

It should be noted that:

- i. employee and employer pension contributions and AVCs / SCAVCs collected on pay paid after 31st March 2015 which was due in respect of a period prior to 1st April 2015 (see [section 7](#)), and
- ii. contributions for added years, Preston part-time buy-back, ARCs and ASBCs (see [section 6.4](#))

must also be paid over to the Pension Fund within the timescales mentioned above.

The payments in respect of (i) must be accompanied by a statement, in such form as the appropriate Pension Fund administering authority specifies, showing:

- a. the name, pay and contribution rate of each employee from whose pay such employee pension contributions or contributions to an AVC or SCAVC have been deducted,
- b. which of those employees have paid AVCs or SCAVCs,
- c. the amounts of pension contributions deducted from each employee and the period covered by the deductions, and
- d. the amount of employee contributions to an AVC or SCAVC, per employee, and the period covered by the deductions.

The payments in respect of (ii) should be accompanied by a statement, in such form as the appropriate Pension Fund administering authority specifies.

There are other payments that employers may have to pay to the Pension Fund (but these are unlikely to impact on payroll) – see [section 18](#) of the [HR guide](#).

## 10. End of year template report

Within 3 months of each Scheme year end, each Scheme employer must send to the appropriate administering authority a statement showing, for **each employment** of each of the Scheme employer's employees who have been active members of the Fund during the Scheme year—

Information for each employment	Format
Scheme year ending	Date format
Surname	Alphanumeric
Forename (or initials)	Alphanumeric
Gender	Alphanumeric (M or F)
Date of birth	Date format
National insurance number	Alphanumeric (No TN numbers)
Unique ID for the employment	Alphanumeric
Date became an active member of the Scheme in the employment if this was during the Scheme year*	Date format
Date ceased active membership of the Scheme in the employment if	Date format

this was during the Scheme year*	
CPP1: Cumulative pensionable pay received in the employment during the Scheme year whilst in main section (including the Assumed Pensionable Pay the member was treated as receiving during the Scheme year whilst in the main section and the value of emoluments specified in the contract of employment as being pensionable emoluments whilst in the main section, including the pensionable emolument value of salary sacrificed for such items as child care vouchers, and for pension contribution salary sacrifice via a shared cost AVC arrangement)	Number to 2 decimal places
CEC1: Cumulative employee contributions (if any) deducted from pensionable pay in previous field	Number to 2 decimal places
CPP2: Cumulative pensionable pay received in the employment during the Scheme year whilst in 50/50 section (including the assumed pensionable pay the member was treated as receiving during the Scheme year whilst in the 50/50 section and the value of emoluments specified in the contract of employment as being pensionable emoluments whilst in the 50/50 section, including the pensionable emolument value of salary sacrificed for such items as child care vouchers, and for pension contribution salary sacrifice via a shared cost AVC arrangement)	Number to 2 decimal places
CEC2: Cumulative employee contributions (if any) deducted from pensionable pay in previous field	Number to 2 decimal places
Section of the Scheme the employee was a member of in the employment at the end of the Scheme year (or at the date of cessation of active membership in the employment if on or after the start of the Scheme year and before the end of the Scheme year)**	Alphanumeric
CRC: Cumulative employer contributions deducted from pensionable pay in respect of the employment (including the assumed pensionable pay the member was treated as receiving during the Scheme year and the value of emoluments specified in the contract of employment as being pensionable emoluments, including the pensionable emolument value of salary sacrificed for such items as child care vouchers, and for pension contribution salary sacrifice via a shared cost AVC arrangement)	Number to 2 decimal places
EAPC CAC: Cumulative additional pension contributions (APCs), if any, paid in respect of the employment by the employee	Number to 2 decimal places
RAPC CARC: Cumulative additional pension contributions (APCs), if any, paid in respect of the employment by the employer	Number to 2 decimal places
EAVC CAC: Cumulative additional voluntary contributions (AVCs), if any, paid in respect of the employment by the employee	Number to 2 decimal places
RAVC CARC: Cumulative additional voluntary contributions (AVCs), if any, paid in respect of the employment by the employer	Number to 2 decimal places
<b>For employees with membership of the LGPS prior to 1/4/15 who are active members at the end of the Scheme year</b>	

FTE Final pay for the Scheme year	Number to 2 decimal places
-----------------------------------	----------------------------

\*Regulation 78(4)(a) of the LGPS (Scotland) Regulations 2014 states that the employer must provide the 'dates of active membership' for the Scheme year. A strict interpretation of that regulation would mean that the employer would have to provide the dates of active membership during the Scheme year being:

- o the date of the beginning of the Scheme year , or
- o the date the employee became an active member of the Scheme in the employment during the Scheme year (if later)

plus

- o the date of the end of the Scheme year, or
- o the date the employee ceased to be an active member of the Scheme in the employment during the Scheme year (if earlier)

However, at a practical level, the LGPC Secretariat think that administering authorities will only require the two items listed in the table above to be provided, i.e. date joined the Scheme in that employment if this was during the Scheme year (including those who joined the Scheme on 1st April) and the date ceased active membership in that employment if that was during the Scheme year (including those who ceased on 31st March). If, in an employment, the employee was an active member at the beginning of the Scheme year, the first of the fields mentioned above could be left blank (unless the employee joined the Scheme in that employment on 1st April) and, if the member was an active member in the employment at the end of the Scheme year, the second of the fields mentioned above could be left blank (unless the employee ceased active membership in that employment on 31st March). A statement could accompany the report stating that where a field is blank it signifies that the employee was an active member on that date. The reason administering authorities will require the date joined the Scheme in the employment if this was during the Scheme year (including those who joined the Scheme on 1st April) and the date ceased active membership in the employment if that was during the Scheme year (including those who ceased on 31st March) is to ensure records are correct and up to date and to identify where notification of new joiners or leavers has not been received. We do not think funds require dates for every Scheme member if they have been in the Scheme for the whole Scheme year (i.e. 1st April through to 31st March).

\*\*The LGPC Secretariat believe that this information should be provided to the Pension Fund administering authority as it is required to ensure the member's pension record is correct and up to date and because the information may be needed to produce projections for Annual Benefit Statements.

## 11. 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)
CAC: The total additional employee's additional contributions (per type) for the Scheme year in respect of the employment
CARC: The total additional employer's additional contributions (per type) for the Scheme year in respect of the employment
CEC1: Cumulative employee contributions (if any) deducted from pensionable pay in previous field
CEC2: Cumulative employee contributions (if any) deducted from pensionable pay in previous field
CPP1: Cumulative pensionable pay received in the employment during the Scheme year whilst in main section
CPP2: Cumulative pensionable pay received in the employment during the Scheme year whilst in 50/50 section
CRC: Cumulative employer contributions deducted from pensionable pay in respect of the employment
EAPC CAC: Cumulative additional pension contributions (APCs), if any, paid by the employee in respect of the employment
EAVC CAC: Cumulative additional voluntary contributions (AVCs), if any, paid by the employee in respect of the employment
FTE: Full-Time Equivalent final pay in respect of the employment for the scheme year
FPP: FTE Final Pay
KIT: Keep In Touch day
LGPC: Local Government Pensions Committee
LGPS: Local Government Pension Scheme
RAPC CARC: Cumulative additional pension contributions (APCs), if any, paid by the employer in respect of the employment
RAVC CARC: Cumulative additional voluntary contributions (AVCs), if any, paid by the employer in respect of the employment
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)

## 12. Appendix

Employer guidance for the assessment of member contribution rates can be found in [Appendix 1 \(this version last updated March 2017\)](#).

Field Code Changed