



# LGPS 2014 Payroll Guide

## Contents

<b>About this guide .....</b>	<b>3</b>
<b>Reform of the LGPS .....</b>	<b>3</b>
<b>1. Data.....</b>	<b>4</b>
<b>2. Records .....</b>	<b>7</b>
<b>3. Sections.....</b>	<b>8</b>
<b>4. Cumulative pensionable pay (CPP1 and 2).....</b>	<b>13</b>
<b>4.1 Pensionable pay.....</b>	<b>13</b>
Meaning of pensionable pay .....	14
Backdated payments .....	16
Pensionable pay and salary sacrifice.....	16
Buying extra leave .....	17
<b>4.2 Assumed Pensionable Pay .....</b>	<b>19</b>
APP Calculation.....	19
Lump sums .....	21
APP and separate employments .....	22
Proportioning .....	22
Adjusting the APP figure.....	24
The 50/50 rule.....	25
Exceptions to 50/50 rule for short periods of sickness.....	25
50/50 and child related leave.....	26
End of APP accrual.....	26
APP for ill health retirement or death in service .....	27
<b>5. Cumulative contributions.....</b>	<b>27</b>
<b>5.1 Cumulative employee contributions (CEC1 &amp; CEC2) .....</b>	<b>28</b>
Contribution rates .....	28
Appropriate contribution bands.....	29
50/50 section contributions .....	30

Contributions during periods of reduced or nil pay.....	31
Sickness absence and the 50/50 section.....	31
Child related leave and the 50/50 section.....	32
KIT and SPLIT days.....	32
<b>5.2 Cumulative employer contributions (CRC).....</b>	<b>35</b>
<b>5.3 Cumulative additional contributions (CAC, CARC) – per job....</b>	<b>35</b>
Additional Pension Contributions (APC) .....	35
Additional Voluntary Contributions.....	39
<b>6. 2008 Scheme data.....</b>	<b>42</b>
<b>6.1 Final pay .....</b>	<b>42</b>
Retention of payroll data.....	43
<b>6.2 Changes in contractual hours, weeks or days per year.....</b>	<b>45</b>
<b>6.3 Breaks in membership.....</b>	<b>47</b>
<b>6.4 Existing additional pension contracts.....</b>	<b>48</b>
Additional Voluntary Contributions.....	48
Additional regular contributions (ARCs).....	49
Added years contracts .....	50
Preston part-time buy-back contracts .....	51
Additional Survivor Benefit Contributions (ASBCs) for cohabitee survivor’s pension .....	51
<b>7. Payments in respect of a period before 1 April 2014 .....</b>	<b>53</b>
<b>8. Monthly payover of contributions .....</b>	<b>53</b>
<b>9. End of year template report .....</b>	<b>55</b>
<b>10. Glossary of acronyms .....</b>	<b>59</b>

## About this guide

This guide sets out the requirements for payrolls in respect of the Local Government Pension Scheme (LGPS) 2014, effective from 1 April 2014. The guide only covers employees in the LGPS in England and Wales. It does not cover:

- councillors in England. Those councillors in England who were in the LGPS on 31 March 2014 remained eligible for membership of the councillor section of the Scheme under the LGPS Regulations 1997 until the end of the term of office they were serving on 1 April 2014, or
- councillors in Wales. They remain eligible for membership of the councillor section of the Scheme under the LGPS Regulations 1997.

## Reform of the LGPS

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

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

This guide refers to the career average scheme as 'the 2014 Scheme' and the final salary pension scheme as 'the 2008 Scheme'.

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

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

## 1. Data

The following data is to be held so that it can be made available to pension administrators within three months of the end of each Scheme year or on termination of Scheme membership, in respect of each job. The Scheme year runs from 1 April to 31 March.

Sometimes, further pensionable payments will be made after termination of Scheme membership in a job. If this happens after data has already been submitted to the LGPS administering authority, then the employer will need to supply:

- 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.

The employer should also tell the LGPS administering authority the date the additional payment was made.

Termination of Scheme membership in a job occurs when:

- an employee opts out of the Scheme in that job
- an employee's employment in a job ends, or
- an employee attains age 75.

The employer must notify payroll when any of these events occur.

Termination does not occur when an employee moves between jobs in the same employment. See the definition of single employment relationships in [section 2](#).

Where an employee holds more than one job with the employer, each of the fields in the table below must be held per job. The employee can be in the main section in one job and the 50/50 section in another job.

**Table 1: 2014 Scheme data and definitions**

2014 Scheme Data	Definition
Main section Cumulative Pensionable Pay (CPP1)	The total pensionable pay <sup>1</sup> (PP) and/or Assumed Pensionable Pay (APP) in the main section for the Scheme year 1 April to 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 <sup>1</sup> (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 ie: Additional Pension Contribution (EAPC) Additional Voluntary Contribution (EAVC)	The total additional employee's contributions for the Scheme year per type: <ul style="list-style-type: none"> <li>• Additional Pension Contribution (EAPC) – both where the whole cost is to the employee and also the employee element of a Shared Cost APC</li> <li>• 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</li> </ul>
Cumulative employer's contributions (CRC)	The total employer's contributions in both sections for the Scheme year

---

<sup>1</sup> 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).

2014 Scheme Data	Definition
Cumulative additional employer's contributions (CARC) per type ie: <ul style="list-style-type: none"> <li>• Additional Pension Contribution (RAPC)</li> <li>• Shared Cost Additional Voluntary Contribution (RAVC)</li> </ul>	The total additional employer's contributions for the Scheme year per type: <ul style="list-style-type: none"> <li>• Additional Pension Contribution (RAPC) – both where the whole cost is to the employer and also the employer element of a Shared Cost APC</li> <li>• 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</li> </ul>
Dates of active membership during the Scheme year	Either the date of: <ul style="list-style-type: none"> <li>• the beginning of the Scheme year, or</li> <li>• becoming an active member of the Scheme in the employment during the Scheme year, if later.</li> </ul> Plus the date: <ul style="list-style-type: none"> <li>• of the end of the Scheme year, or</li> <li>• active Scheme membership ended during the Scheme year, if earlier</li> </ul>
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 on the date of leaving active membership in the employment

The section of the Scheme may be used by the administering authority to produce pension estimates or projections included in annual benefit statements.

Employers must continue to supply 2008 Scheme data:

FTE final pay (FFP): Full time equivalent pensionable pay in respect of the employment for the Scheme year.

The above specification shows the information required to administer the 2014 Scheme. It does not replace or remove the requirement for other data being supplied to your LGPS administering authority to enable them to administer the Scheme, such as personal details and unique identifiers. See [section 6](#) for more information on data needed to administer the 2008 Scheme.

You can read more about the payroll data to be held for each Scheme year (1 April to 31 March) to produce the monthly and end of year / leaving data shown in [section 9](#) in the 'Year end – Guidance note' and 'Year end – Template spreadsheet' which can be found on the [Administrator guides and documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

## 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. The need to calculate 2014 Scheme pensions on a year by year basis means that separate records are vital and must be retained.

Examples of when an employer may determine that 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 (eg a promotion).

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

### **Example 1: Concurrent employment**

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 LGPS administering authority as two lines of data both identifiable as the employee (eg by NI number) and each uniquely identified as different jobs (eg by post / payroll number). If one of the jobs ends, this should be treated as a leaver for pension purposes. The employer would need to supply data in respect of that leaver to the LGPS administering authority.

## Example 2: Promotion

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

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

## 3. Sections

The 2014 Scheme 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. In the 50/50 section the employee contribution is half that which would be due in the main section. See [section 5](#) - cumulative contributions.

**Important:** If a member joins the 50/50 section, the employer contribution is still the normal full contribution rate not half.

An employee cannot make a valid election to join the 50/50 section before:

- commencing employment
- the date their LGPS membership is due to start, if they are being automatically enrolled or re-enrolled, or
- joining the Scheme as a result of making an election to join.

In the absence of a 50/50 election before the payroll has been closed:

- a new employee
- 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.

The following circumstances may lead to a change of section during the Scheme year:



- The employee elects to move from the main section to the 50/50 section (or vice versa) from the beginning of the next available pay period following the election.
- The employee is in the 50/50 section and goes on to no pay due to sickness or injury. The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. This would even be the case where an employer has a policy of nil pay for the first three days of sickness, and the first two days of sickness fall at the end of one pay period and the third day is the first day of the following pay period. The person will have the right to make a further 50/50 election. If they do so before the payroll is closed, they would have continuous 50/50 membership.
- The employee is in the 50/50 section and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave. The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.
- If the employee is in the 50/50 section, they must be moved back to the main section from the beginning of the pay period following the employer's 'automatic re-enrolment date'. This would happen irrespective of what category of worker they are for the purposes of the Pensions Act 2008. The initial 'staging date' for those employers who meet their 'staging date' after 31 March 2014 has no implication for existing 50/50 elections. The person will have the right to make a further 50/50 election. If they do so before the payroll is closed, they would have continuous 50/50 membership.

Both the main section and the 50/50 section of the LGPS are 'qualifying schemes' for automatic enrolment purposes.

**Important:** Those terms in quotation 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 'Automatic enrolment – Technical guide' which you can find on the '[Employer guides and documents](#)' page of [www.lgpsregs.org](http://www.lgpsregs.org).

The dates an employee joined and ended 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. It is generally not necessary to maintain

separate cumulative amounts for employer's contributions per section (other than as specified in the table in [section 1](#)).

If a member moves to the 50/50 section:

- Any existing Additional Pension Contribution (EAPC) contract which is at whole cost to the employee to buy **extra** pension must stop.
- Any Shared Cost Additional Pension Contribution (EAPC / RAPC) contract to buy **extra** pension must stop.
- Any AVC (EAVC) or Shared Cost AVC (EAVC / RAVC) contract continues unless the member elects to terminate the contract.
- An existing Shared Cost Additional Pension Contribution (EAPC / RAPC) contract to buy **lost** pension continues if it is to purchase an amount of pension 'lost' due to:
  - a period of unpaid additional maternity, paternity or adoption leave or
  - any other period of unpaid authorised leave of absenceunless the member elects to end the contract.
- Any existing Additional Pension Contribution (EAPC) contract which is at whole cost to the employee to buy **lost** pension continues if it is to purchase an amount of pension 'lost' due to:
  - a trade dispute
  - a period of unpaid additional maternity, paternity or adoption leave<sup>2</sup>, or
  - any other period of unpaid authorised leave of absence<sup>2</sup>unless the member elects to end the contract.

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

- an AVC / SCAVC
- an APC or to purchase an amount of pension 'lost' due to a trade dispute, 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

---

<sup>2</sup> ie the member made an APC election more than 30 days (or such longer period as the employer allowed) 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.

- an 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 before 1 April 2014 – see [section 6.4](#).

are not reduced to half rate. The contributions under such contracts / arrangements continue to be paid in full.

A member in the 50/50 section generally cannot commence payment of an Additional Pension Contribution (EAPC) contract which is at whole cost to the employee. They can commence an EAPC contract if it is to purchase an amount of pension 'lost' due to a trade dispute, a period of authorised leave of absence, a period of unpaid additional maternity, 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.

If a member moves to the main section:

- any existing Additional Pension Contribution (EAPC)
- any Shared Cost Additional Pension Contribution (EAPC / RAPC) contract
- any AVC (EAVC) or Shared Cost AVC (EAVC / RAVC) contract
- any additional regular contributions (ARC) contract
- any added years 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 Shared Cost Additional Pension Contribution (EAPC / RAPC) contract
- an AVC (EAVC) or Shared Cost AVC (EAVC / RAVC) contract
- Preston part-time buy-back contributions.

### **Example 3: Opting for the 50/50 section**

A monthly paid employee opts for the 50/50 section on 29 June (after the June payroll has 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: 50/50 and multiple employments**

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: 50/50 and promotion**

An employee finishes one job and starts another without any notification that employment has ended. This may happen when 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 ended, 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 LGPS administering authority when they occur and at year end (or date of leaving if earlier), and confirm to the LGPS 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 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. It includes the value of emoluments specified in the contract of employment as being pensionable emoluments such as the pensionable emolument value of salary sacrificed childcare vouchers, and for pension contribution salary sacrifice via a Shared Cost AVC arrangement.

The cumulative pensionable pay must be provided separately for each job and for each section 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 section. The dates the member was in each section may need to be provided to the LGPS administering authority. The cumulative amounts should contain all of the PP and/or APP in each section during the year.

**Important:** Any pensionable pay received after 31 March 2014 which relates to a period before 1 April 2014 should not be included in CPP1 or CPP2.

### Example 6: Cumulative pay and the 50/50 section

An employee opts for the 50/50 section three months into the Scheme year when the accrued CPP1 is £3,000. The employee spends six 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 2014 Scheme is, basically, the same as in the 2008 Scheme – ie all payments in respect of the job apart from those listed in the regulations as exclusions. There are three main differences:

1. Non-contractual overtime has been removed from the exclusions list and so, from 1 April 2014, non-contractual overtime is pensionable.
2. From 1 April 2014, a payment in consideration of loss of future pensionable payments or benefits is not pensionable. So, for example, an employer may change an employee's contract to remove contractual overtime. If they expect

the pay for voluntary overtime to be less than the former pay for contractual overtime, the employer may give a lump sum payment in consideration of the loss of future pensionable payments. That lump sum would be non-pensionable. An employer may reduce the pay of an employee and offer a 'marked time' payment to bring the employee's pay up to the former rate of pay for a limited period of time. The employer could define that 'top-up' sum in the 'marked-time' agreement as a sum to be paid each pay period for X months in consideration of the loss of future pensionable payments. The 'top-up' payment would therefore be non-pensionable.

3. From 1 April 2014, any actual pay paid by the Scheme employer to a reservist during Reserve Forces Service Leave is not pensionable. Note that whilst on reserve forces service leave, the employee and the Ministry of Defence pay contributions on the amount of Assumed Pensionable Pay (see [section 4.2](#)).

The LGPS Regulations 2013 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) returning officer, or acting returning officer fees other than fees paid in respect of—
- (i) local government elections,
  - (ii) elections for the National Assembly for Wales,
  - (iii) Parliamentary elections, or
  - (iv) European Parliamentary elections.

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

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

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

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

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

the relevant amount remains pensionable until such time as:

- the member leaves employment with the employer who was employing him/her on 31 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.

## Backdated payments

Benefits in the 2014 Scheme are calculated based on the pensionable pay that is received in the Scheme year (1 April to 31 March) and not the pay due for that period. There is therefore no need to adjust an earlier year's pensionable pay if arrears or other backdated payments are paid in the current Scheme year that relate to an earlier Scheme year.

**Important:** Any pensionable pay received after 31 March 2014 that relates to a period before 1 April 2014 should not be included in CPP1 or CPP2 – see [section 7](#).

It would seem logical that 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 before the employee joined the LGPS should not be pensionable and so should not be included in CPP1 or CPP2. However, the LGPS Regulations 2013 are not clear on this point. An argument for including such pay in CPP1 or CPP2 is that regulation 20(1)(a) states that pensionable pay is 'all the salary, wages, fees and other payments paid to the employee' and regulation 20(2) does not exclude payments made to a member of the Scheme that relate to a period before joining the Scheme.

An alternative argument would be that regulation 9(1) of the LGPS Regulations 2013 says that where an employee commences membership part way through a Scheme year, pension contributions are payable on 'the annual pensionable pay the member receives at the commencement of membership'; thus any payment made after commencement of membership that relates to a period before commencement of membership is not 'pensionable pay' as it relates to pay due before commencement of membership. If the payment had been made at the correct time (before commencement of membership) it would not have been pensionable; so why should the payment become pensionable simply because payment is delayed (either by the employee or the employer) until after the employee has joined the Scheme? The regulations governing the 2008 Scheme were equally unclear on this point.

## 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, remain pensionable under the 2014 Scheme (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument).

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



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

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

### **Buying extra leave**

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

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

In the 2014 Scheme, there is no requirement for contributions to be paid for any part of a period of authorised unpaid leave of absence. Instead, it is the employee's choice whether to cover the period of absence for pension purposes. If the employee chooses to do so, this will be by paying an age-related Additional Pension Contribution (APC) to cover the amount of pension 'lost' during the period of authorised unpaid leave of absence. See [section 5.3](#) for further details.

If the member's annual pay is £20,001 and they take five days authorised unpaid leave of absence, their pay will be reduced and:

- the employee contribution rate would be based on a salary of £20,001
- the employee could purchase the pension 'lost' during those five days leave of absence by electing to pay an APC
- if the member makes the APC election within 30 days of returning from the absence, it would be a Shared Cost APC and the employer would have to contribute 2/3rds of the cost. See [section 5.3](#) for further details.

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

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

The pay of a member who earns £20,001 a year, whose contract was changed to say that they are only required to work 360 days a year would reduce to £19,727. If the member wanted to purchase the equivalent of the pension they would have built up for five days work, they could do so by paying an APC. This would be at the whole cost to the member unless the employer voluntarily agreed to contribute towards the cost of that APC. See [section 5.3](#) for further details.

If the employee has 2008 Scheme membership, this method could reduce their final pay. This depends on how the administering authority treats employees who are required to work less than 365 days per year. If the administering authority treats this change as a reduction in final pay, Regulations 8 to 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 would apply. The final pay used to work out the member's pre-1 April 2014 benefits would be the best out of the last three years or, if the pay reduction occurred in the 10 years before leaving, the average of any three consecutive years ending on 31 March in the last 13 years.

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

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

The employer can make a net deduction if:

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

## 4.2 Assumed Pensionable Pay

In cases of reduced contractual pay or nil pay:

- as a result of sickness or injury
- during relevant child related leave which includes ordinary maternity, paternity or adoption leave, paid shared parental leave, paid parental bereavement leave and any paid additional maternity or adoption leave and
- during 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

a member's pension continues to build up as if they were at work receiving their normal pay. The notional pay figure used to represent the member's normal pay is Assumed Pensionable Pay (APP). In the circumstances listed above (and only in these circumstances) the amount added to the CPP should be the APP and not any PP received.

The exception is when the PP received for any given day in that period is greater than the APP. This might occur on a KIT day, SPLIT day or Stringer day. If this happens, PP is added to CPP for that day and APP is added for the other days. Note that the APP figure calculated before the KIT, SPLIT or Stringer day(s) is not recalculated following the KIT, SPLIT or Stringer day(s). The same APP figure continues to apply during the remainder of the relevant period of absence.

### APP 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 (eg weekly, fortnightly, lunar, quarterly, half yearly).

#### Member paid other than monthly

Calculate the average of the pensionable pay for the 12 complete weeks before the relevant event:

- after removing any pensionable lump sum payments
- including any APP previously credited in and relating to those pay periods
- ignore any reduction in pay due to a trade dispute or authorised absence
- if arrears of pay are paid in the 12-week period, some or all of which relate to an earlier period, the back pay can be treated as a non-regular lump sum payment and removed from the calculation

Gross up the result to an annual figure and add any regular lump sum payment the member received in the 12 months before the relevant event. A lump sum is 'regular' if the employer determines that there is a reasonable expectation that the payment would be paid on a regular basis.

**Important:** If the average pensionable pay for the 12 weeks before the relevant event is, in the opinion of the employer, materially lower than the level of pensionable pay that member normally receives, then the Scheme employer may substitute a higher figure. In doing so, the employer must have regard to the level of pensionable pay the member received in the last 12 months.

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 first drops to reduced contractual pay or nil pay due to sickness or injury
- the employee commences child related leave (ie ordinary maternity, paternity or adoption leave, paid shared parental leave or paid parental bereavement leave), or
- the date the member commences reserve forces service leave.

APP does **not** accrue during any period of unpaid additional maternity, paternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave. These are 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 '12 complete weeks' with 'three months').

The LGPS Regulations 2013 do not specify how grossing up to an annual equivalent pay figure should be calculated. For monthly paid employees, the calculation is straightforward - see Examples 7A and 7B below. However, for employees paid other than monthly, there is no standard procedure. For more information, see the section on ['Proportioning'](#) below.

### Example 7A: Basic APP calculation

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

Month 1: £1,400

Month 2: £1,500 (including £100 overtime)

Month 3: £1,400

The calculation of APP is as follows:

Annual rate of APP =  $(£1,400 + £1,500 + £1,400) \div 3 \times 12 = £17,200$

### Lump sums

The annual rate should be increased if the employee received any regular lump sum payments in the 12 months before the relevant event. A payment is a regular lump sum if the employer determines that there is a reasonable expectation that it would be paid on a regular basis.

### Example 7B: APP and regular lump sums

The member from example 7A received a regular annual bonus of £1,000 in the period before going on to APP:

Month 1: £1,400

Month 2: £2,500 (including £100 overtime and £1,000 bonus)

Month 3: £1,400

Initially, the bonus is excluded in working out the annual rate:

Annual rate =  $(£1,400 + £1,500 + £1,400) \div 3 \times 12 = £17,200$

Then the bonus and any other regular lump sum payments received by the employee in the 12 months before the relevant event must be added. In this example, we assume that there were no other regular lump sum payments.

Annual rate of APP =  $£17,200 + £1,000 \text{ bonus} = £18,200$

Remember, if the annual rate of APP is lower than the pensionable pay the member normally receives, the employer may substitute a higher figure. They must consider the pensionable pay the member received in the last 12 months when they do this.

## APP and separate employments

The calculation of APP uses the three complete months or 12 complete weeks pensionable pay the member receives relating to that employment before the relevant event.

If, during the period of three months or 12 weeks, the member ends one employment and is re-employed on a new contract of employment, the calculation of the APP is based on the pensionable pay received in the new employment only. The number of complete weeks or complete months available in that employment should be used.

## Proportioning

When determining the proportion of the annual APP rate to be added to the CPP, the same method used for determining payments for 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. It is important that the method reflects the methodology used to calculate the annualised APP figure. The examples that follow show how to calculate APP, based on a number of different methodologies.

### **A. paid monthly, part month payment based on days in month**

APP annual rate = 3 months' pay  $\times$  12  $\div$  3

APP monthly rate = APP annual rate  $\div$  12

APP daily rate = APP annual rate  $\div$  12  $\div$  number of days in the month

### **B. Paid monthly, part month payment based on working days in month**

APP annual rate = 3 months' pay  $\times$  12  $\div$  3

APP monthly rate = APP annual rate  $\div$  12

APP daily rate = APP annual rate  $\div$  12  $\div$  number of working days in the month

### **C. Paid weekly, year treated as 52.143 weeks, part week based on 7 days**

APP annual rate = 12 weeks' pay  $\times$  52.143  $\div$  12

APP weekly rate = APP annual rate  $\div$  52.143

APP daily rate = APP annual rate  $\div$  52.143  $\div$  7

### **D. Paid weekly, year treated as 53 weeks, part week based on working days**

APP annual rate = 12 weeks' pay  $\times$  53  $\div$  12

APP weekly rate = APP annual rate  $\div$  53

APP daily rate = APP annual rate  $\div$  53  $\div$  5

The table above sets out four examples of how to convert an annual APP figure into a daily rate. We are aware that other methods of calculating part-month or part-week salary payments exist and therefore the information in the table above should not be considered exhaustive. It is most important that each employer is consistent in its calculation and application of APP to part months or weeks. This calculation must reflect the methodology used to calculate other part-month or part-week salary payments.

Using the formula of  $53 \div 12$  shown in D. above is not recommended. It produces an incorrect outcome when calculating an annualised APP 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).

### **Example 8: APP and cumulative pensionable pay**

A monthly paid employee is absent due to sickness, drops to reduced pay on 15 June and stays on reduced pay until they return to work on 4 September. The employee is in the main section throughout. CPP1 accrues 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

Employees on relevant child related leave may return for KIT or SPLIT days. If the pensionable pay they receive is higher than the APP daily rate for those days, then the pensionable pay should be added to the CPP. Relevant child related leave means ordinary maternity, paternity or adoption leave, paid shared parental leave or paid parental bereavement leave and any paid additional maternity or adoption leave.

Employees on leave due to sickness or injury on reduced pay or no pay may take Stringer days. If the pensionable pay they receive is higher than the APP daily rate for those days, then the pensionable pay should be added to the CPP.

The APP applying after the KIT day, SPLIT day or Stringer day will be the same as the APP that applied before. There is no need to recalculate APP simply because the employee has returned to work for a KIT or SPLIT day, or taken a Stringer day

(annual leave during sickness absence) during the period of leave. Please see [example 18](#) to see how this works for both the CPP and CEC cumulatives.

### Adjusting the APP figure

The annual APP figure is adjusted if the absence continues for a period that crosses two 31 March dates. If an employee is on long term sick leave, APP is adjusted at midnight on the second 31 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 31 March.

If the APP continues for a further year, it will be revalued again at midnight on the third 31 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 31 March, and so on.

### Example 9: Adjusting the APP figure

A monthly paid employee goes on sick leave on reduced pay from 15 June. The annual APP figure of £18,200 is calculated as shown in [example 7B](#). On the following 31 March, the member is still on sick leave. The annual APP figure of £18,200 is not increased on that 31 March and continues to apply from 1 April.

If the employee is still on sick leave on the next 31 March, the annual APP of £18,200 will be adjusted by the annual percentage specified in the HM Treasury Revaluation Order. If this is 2%, then the annual APP figure from the second 1 April following the date the person went on to sick leave on reduced pay will be increased to £18,564.

The member returns to work on the following 4 September. The employee is in the main section throughout. CPP1 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 before dropping to nil contractual pay because of sickness or injury, they should be placed in the main section from the beginning of the next pay period, provided they are still on no pay at that time. APP should be added to CPP1 rather than CPP2 as from the beginning of that pay period.

### Example 10: The 50/50 rule

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

June:	14 days of pensionable pay plus 16 days of APP is added to CPP2
July:	APP is added to CPP2
August:	APP is added to CPP2
September:	APP is added to CPP2
October:	APP is added to CPP1 (next pay period following the drop to nil pay)
November:	APP added to CPP1
December:	PP added to CPP1

**Important:** The employee remains in the main section unless and until they make another election to join 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 unless the period of unpaid leave due to sickness or injury crosses two pay periods. For example, if an employer has a policy of nil pay for the first three days of sickness then, if the first two days were the last two days of one pay period and the third day was the first day of the following pay period, the regulations require the member to be put into the main section from the beginning of that next pay period.

### **Example 11: 50/50 and short periods of sickness**

A monthly paid employee who is in the 50/50 section is off sick for two days in the middle of June and the employer has a policy of nil pay for the first three days of sickness. The adjustment to pay is not done until July when two days' pay is taken from that month's payment.

The CPP accrued is:

June: PP is added to CPP2

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

The APP figure is calculated by reference to the pensionable pay the member received in that employment in the three complete months' preceding the relevant event. The relevant event in this example is the date the member moved to reduced or nil pay due to sickness. Even though the deduction from pay for the two days of sickness absence did not occur until July, APP is calculated on the pensionable pay paid in the period March, April and May. The calculation of APP is not affected by the date the employer notifies payroll about the absence, and whether the deduction is made in the June or July payroll. In either case, the calculation of the APP figure to be added to CPP2 is the same. It is based on the pensionable pay the member received in respect of that employment in March, April and May.

### **50/50 and child related leave**

A member in the 50/50 section must be moved to the main section of the scheme if they go on to nil pay during a period of ordinary maternity leave, ordinary adoption leave or paternity leave. The employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time.

### **End of APP accrual**

APP stops accruing:

- at the end of a member's period of absence on reduced contractual pay or nil pay as a result of sickness or injury
- at the end of relevant child related leave, which includes ordinary maternity, paternity or adoption leave, paid shared parental leave, paid parental bereavement leave and any paid additional maternity or adoption leave, or
- at the end of a period of reserve forces service leave.

## APP for ill health retirement or death in service

APP must be calculated by the employer when:

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

The APP figure is calculated in the normal way:

- using the average of the pensionable pay for the 12 (weekly) or three (monthly) complete pay periods before the date of termination or death
- the average pensionable pay should include any APP credited in and relating to those pay periods
- plus any regular lump sums paid in the 12 months before the date of retirement or death.

This APP figure is needed to calculate the amount of the enhancement to the benefits due under the LGPS.

There is a further adjustment for members who were working reduced contractual hours in the relevant 12 (weekly) or three (monthly) pay periods. If the Independent Registered Medical Practitioner certifies that the member was working reduced hours wholly or partly because of the condition that caused or contributed to the ill health retirement or death, the hours reduction should be ignored when working out APP. APP should be calculated on the pay the member would have received during the relevant pay periods if they had not been working reduced contractual hours.

**Important:** If the average pensionable pay for the 12 weeks before the date of termination or death is, in the opinion of the employer, materially lower than the level of pensionable pay that member normally receives, then the Scheme employer may substitute a higher figure. In doing so, the employer must have regard to the level of pensionable pay received by the member in the last 12 months.

## 5. Cumulative contributions

This section is split into sub-sections which cover cumulative employee contributions (CEC1 and CEC2), cumulative employer contributions (CRC) and cumulative additional contributions (CAC and CARC).

## 5.1 Cumulative employee contributions (CEC1 & CEC2)

Employee contributions in the 2014 Scheme are banded as they were in the 2008 Scheme. However, there are more bands than in the 2008 Scheme. In the 2014 Scheme the appropriate band is determined by the employee's actual pensionable pay, not their FTE pensionable pay.

### Contribution rates

The bands of contribution rates for pensionable pay received between 1 April 2021 and 31 March 2022 are shown in Table 1. The employee pays contributions at the appropriate band rate on all pensionable pay received in respect of that job or at half that rate if the employee is in the 50/50 section.

These contribution rates should not be used for any backdated payments that relate to the period before 1 April 2014 – see [section 8](#).

If a person holds more than one employment and these are treated as separate jobs, the pensionable pay from each job is assessed separately when determining the contribution rate for that job. One job could have a rate of 5.8% and the other a rate of 6.5%. If the employer determines that a single employment relationship exists (see [section 2](#)), then the pay from each job should be combined to determine the single contribution rate.

**Table 2: member contribution rates 2021/22**

Band	Actual pensionable pay for an employment	Main section member contribution rate	50/50 section member contribution rate
1	Up to £ 14,600	5.5%	2.75%
2	£ 14,601 to £ 22,900	5.8%	2.90%
3	£ 22,901 to £ 37,200	6.5%	3.25%
4	£ 37,201 to £ 47,100	6.8%	3.40%
5	£ 47,101 to £ 65,900	8.5%	4.25%
6	£ 65,901 to £ 93,400	9.9%	4.95%
7	£ 93,401 to £ 110,000	10.5%	5.25%
8	£ 110,001 to £ 165,000	11.4%	5.70%
9	£ 165,001 or more	12.5%	6.25%

### **Example 12: Contribution band**

An employee commences employment and is placed in band 2 by the employer. The employee will pay 5.8% (or 2.9% if in the 50/50 section) on all pensionable pay received. The band will only change in the Scheme year if the employer notifies payroll of a new appropriate band or the payroll automatically moves the employee to a different band in accordance with the employer's policy.

These bands and rates may change from time to time, so they should not be hardcoded into payroll systems. Systems should have the ability to change both the rates, the pay figures in the bands, and the number of bands as required by Scheme regulations.

### **Appropriate contribution bands**

Employers will need to determine the correct band for the employee and notify payroll accordingly when:

- a new employee starts their employment
- an employee opts into the LGPS
- an employee's contract is extended from less than three months to more than three months

unless the contribution rate is allocated automatically on the payroll system.

For part time workers, workers on 'zero hours' contracts and workers on variable hours contracts, etc. the employer will have to make an assumption about the pensionable pay the person will receive in the Scheme year. Employees will remain in that band unless the employer notifies payroll that the band should be changed or agrees an automated process with the payroll provider.

Employers are required by the regulations to reassess the appropriate band and rate each April, in the pay period in which 1 April falls. Employers may also review the appropriate rate 'where there is a change in employment, or a material change which affects the member's pensionable pay in the course of a financial year'.

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

### **Example 13: Contribution rate for part time workers**

An employee commences part time employment at an FTE rate of £35,000 per year but is contracted to work 17.5 hours per week. The full-time hours for that job are 35. The appropriate band on commencement would normally be band 2 as the employee's actual pay will be £17,500 in the Scheme year.

### **Example 14: Contribution rate and additional hours**

At the end of the Scheme year, it is clear that the employee from Example 13 is regularly working additional hours which brought their actual pensionable pay in the year up to £24,000. The employer may decide to place the employee in band 3 in the next Scheme year if they expect the employee to continue to work those additional hours.

### **Example 15: Contribution rate and changes in working hours**

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 could determine that the appropriate band is band 3 as the actual pensionable pay will be £35,000 from that point on.

### **50/50 section contributions**

When an employee is in the 50/50 section, the employee contributions are calculated using the same bands 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.

**Important:** Employer contributions are payable at the full employer rate and not 50% of the employer rate when a member is in the 50/50 section.

### Example 16: 50/50 section contributions

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 × 6.5% added to CEC1. PP in period added to CPP1
August:	PP in period × 3.25% (6.5% ÷ 2) added to CEC2 PP in period added to CPP2

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

### Contributions during periods of reduced or nil pay

If an 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 an employee on reserve forces service leave. In this case 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 reservist's pay. The contributions are then paid over to the LGPS administering authority by the MoD. If the contributions were not deducted from the reservist's 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.

### Sickness absence and the 50/50 section

If the employee is in the 50/50 section and goes on to no pay due to sickness or injury, the employee must be moved back into the main section from the beginning of the next pay period if they are still on nil pay at that time. This would even be the case where an employer has a policy of nil pay for the first three days of sickness, and the first two days of sickness fall at the end of one pay period and the third day is the first day of the following pay period. In this situation, the employee must be put into the main section from the beginning of the next pay period.

### Example 17: contributions during sick leave

An employee drops to reduced contractual pay on 15 June due to sickness and on 15 September they drop to nil pay. They return to work on full pay on 1 December. At the date of the relevant event they were in the 50/50 section of the Scheme and were in contribution band 4. The employee contributions calculated, and CEC accrued are as follows:

June:	PP × 3.4% added to CEC2
July:	PP × 3.4% added to CEC2
August:	PP × 3.4% added to CEC2
September:	PP (ie reduced pay paid for the first 14 days of September) × 3.4% added to CEC2
October:	pay period after drop to nil pay PP × 6.8% (= £nil) added to CEC1
November:	PP × 6.8% (= £nil) added to CEC1
December:	PP × 6.8% added to CEC1

Although pensionable pay dropped to half from 15 June and to no pay from 15 September, the reductions in pensionable pay are ignored when determining the relevant contribution band. The employee remains in band 4 (6.8%), equating to 3.4% whilst in the 50/50 section.

The person was in receipt of PP from 15 June to 14 September, but the PP received during this period 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 15 June to 30 September and into CPP1 for the period 1 October to 30 November.

### Child related leave and the 50/50 section

A member in the 50/50 section must be moved to the main section of the Scheme if they go on to nil pay during a period of ordinary maternity leave, ordinary adoption leave or paternity leave. The employee must be moved into the main section from the beginning of the next pay period if they are still on nil pay at that time.

### KIT and SPLIT days

When on child-related leave, the employee may return for KIT or SPLIT days. Employee contributions should be taken on the pay received for a KIT or SPLIT day at the rate appropriate for that pay period. If the pay is more than APP, then actual pay received should be included in PP.



### Example 18: KIT and SPLIT days

- A monthly paid employee goes on to maternity leave from 16 June 2020.
- The ordinary maternity leave and paid additional maternity leave run out after 39 weeks on 15 March 2021
- She returns to employment on full pay from 1 May 2021
- She is in the main section of the Scheme and is paying a contribution rate of 6.8%
- She returns for a KIT day in November
- PP accrued on that KIT day was more than APP
- PP is added into CPP1, not APP for that day.

The calculations for CEC1 and CPP1 are:

**Table 3: Member pensionable pay and contributions during maternity leave**

Month	CEC1	CPP1
June	PP x 6.8%	15 days of PP plus 15 days of APP
Jul	PP x 6.8%	APP
Aug	PP x 6.8%	APP
Sep	PP x 6.8%	APP
Oct	PP x 6.8%	APP
Nov	PP x 6.8% (KIT day at 6.8%)	One month less one day of APP plus PP on KIT day
Dec	PP x 6.8%	APP
Jan	PP x 6.8%	APP
Feb	PP x 6.8%	APP
Mar	15 days PP x 6.8%	15 days APP
Apr	Nil	Nil

### Example 19: Pay and contributions during maternity leave

Based on the member in example 18 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 £148.68 per week,
- followed by SMP of £148.68 per week for 21 weeks
- APP monthly rate of £2,976 (£684.89 per week ie £2,976 x 12/52.143)

the amounts allocated to CEC1 and CPP1 cumulatives would be as shown in the following table.

**Table 4: Example pay and contributions during maternity leave**

Month	CEC1	CPP1
June	$(15 \div 30 \times \text{£}2,976) +$ $(2.2 \text{ weeks} \times \text{£}684.89 \times 9 \div 10)$ $\times 6.8\% = \text{£}193.40$	$(15 \div 30 \times \text{£}2,976) +$ $(15 \div 30 \times \text{£}2,976)$ $= \text{£}2,976$
July	$(3.8 \text{ weeks} \times \text{£}684.89 \times 9 \div 10) +$ $(0.8 \text{ weeks} \times \text{£}684.89 \times 0.5) +$ $(0.8 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = 186.00$	£2,976
Aug	$(4.2 \text{ weeks} \times \text{£}684.89 \times 0.5) +$ $(4.2 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}140.26$	£2,976
Sept	$(4.4 \text{ weeks} \times \text{£}684.89 \times 0.5) +$ $(4.4 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}146.94$	£2,976
Oct	$(2.6 \text{ weeks} \times \text{£}684.89 \times 0.5) +$ $(2.6 \text{ weeks} \times \text{£}148.68) +$ $(2 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}107.05$	£2,976
Nov	$(3.8 \text{ weeks} \times \text{£}148.68) +$ KIT day £99.20 $\times 6.8\% = \text{£}45.16$	£2,876.80 + £99.20 KIT day = £2,976
Dec	$(4.6 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}46.51$	£2,976
Jan	$(4.4 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}44.49$	£2,976
Feb	$(4 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}40.44$	£2,976
March	$(2 \text{ weeks} \times \text{£}148.68)$ $\times 6.8\% = \text{£}20.22$	$(15 \div 31 \times \text{£}2,976) =$ £1,440
April	Nil	Nil

Example 19 shows one way to calculate pay during maternity leave. It is not the only one as we are aware that the methodology adopted to pay SMP varies across employers.

## 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 when APP does not apply and
- the APP figure for the pay period or part pay period when APP applies.

$CRC = (CPP1 + CPP2) \times \text{employer contribution rate.}$

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 Ministry of Defence direct to the LGPS administering authority.

The employer contribution rate is a single rate for all employees of that employer and will be subject to change. The rate may change annually but it will almost certainly change after each valuation of the Pension Fund. Employer contribution rates should not be hardcoded into payroll systems. Employers will be responsible for notifying payroll of the employer contribution rate and any changes to it.

If the employee is in the 50/50 section, the employer rate is still paid in full (not at half rate).

## 5.3 Cumulative additional contributions (CAC, CARC) – per job

### Additional Pension Contributions (APC)

Additional Pension Contributions can be made by the employee, the employer or both. The cost of an APC can be:

- met in full by the employee,
- met in full by the employer, or
- split between employee and employer in any proportion agreed between the employee and the employer.

Where an employer and employee both contribute, this is known as a Shared Cost APC (SCAPC). APC and SCAPC contributions may be one off or regular and will always be cash amounts not percentages of pay. If the contributions are regular, the employer will notify payroll of the employee amount and the employer amount (if any) to be deducted 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: One off APC payment**

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: Regular APC payments**

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, 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 shared 1/3rd employee, 2/3rds employer. This applies for any individual period of absence up to 36 months. 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: One off SCAPC payment**

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: Regular SCAPC payments

Payroll is notified that an employer has agreed to share equally with the employee the cost of purchasing an amount of additional pension. The arrangement is due to last for 60 months and the cost, based on factors in force at the time the contract commenced, is £50 per month. 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:

- The actuarial factors which determine the cost of purchasing additional pension are subject to review. If the factors change and a member has an ongoing contract to purchase additional pension, then both the employee and employer contributions change from the effective date of the new factors, unless the member elects to end the contract.
- 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. 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, paid parental bereavement 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. 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. The employee payments due to an APC or SCAPC which could not be collected roll over as a debt to be recovered from pay on return to work (when they will be added into the EAPC CAC cumulative for that job). If the member does not return to work, the individual can make a direct payment to the LGPS administering authority or the administering authority could make a deduction from their pension benefits when they are paid.

- During any other period of child related leave (ie during unpaid additional maternity, paternity or adoption leave, unpaid parental bereavement 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.

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 on return to work, when they will be added in to the EAPC CAC cumulative for that job. If the member does not return to work, the individual can make a direct payment to the LGPS administering authority or the administering authority could make a deduction from their pension benefits when they are 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 on return to work (when they will be added into the EAPC CAC cumulative for that job). If the member does not return to work, the individual can make a direct payment to the LGPS administering authority or the administering authority could make a deduction from their pension benefits when they are 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 these are not paid via payroll. The employer sends the relevant details to the reservist to pass on to MoD in order to get them to deduct the relevant APC contributions from MoD reservist pay and for MoD to pay these over to the LGPS administering authority. The employer must continue to pay employer contributions to a SCAPC.

- 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. Any of 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 on return to work (when they will be added into the EAPC CAC cumulative for that job). If the member does not return to work, the individual can make a direct payment to the LGPS administering authority or the administering authority could make a deduction from their pension benefits when they are paid.

### **Additional Voluntary Contributions**

Additional Voluntary Contributions (AVC) can be made by the employee or, in the case of a Shared Cost AVC (SCAVC), by both the employer and employee. Such contributions will be either a cash amount or a percentage of pensionable pay. The employer will notify the payroll of the employee amount or percentage to be deducted per pay period and, in the case of a SCAVC, the employer amount or percentage to be paid per pay period.

The split between an employee's and employer's additional contributions for a SCAVC can be any ratio as agreed but not 100% cost to the employer.

**Important:** There is no upper limit on the amount of pensionable pay a member can contribute to an AVC arrangement.

#### **Example 24: Paying a fixed cash amount of AVCs**

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

#### **Example 25: AVCs as a percentage of pensionable pay**

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 start 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: Paying a fixed cash amount of SCAVCs**

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 start in the pay period following notification. The employee's £60 per month deduction should be added to the EAVC CAC and the employer's £40 per month contribution added to the RAVC CARG cumulatives each month in the Scheme year for that job.

#### **Example 27: SCAVCs as a percentage of pensionable pay**

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 employee's 3% contribution added to the EAVC CAC and the employer's 2% contribution added to the RAVC CARG 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 31 March 2014 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 CARG 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 CARG cumulatives for that job when the employee is on no pay.

The employer element of an SCAVC in respect of pension sacrifice is not payable in full where the employee is on reduced or no pay. 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 were the first authority we were aware of to introduce a salary sacrifice AVC arrangement.



- During any period of relevant child related leave (ordinary maternity, paternity or adoption leave, paid parental bereavement leave or paid shared parental leave and paid additional maternity or adoption leave) any pre-existing AVC / SCAVC contracts remain payable when 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 made need to be added to the EAVC CAC and, as appropriate, RAVC CARC cumulatives for that job. 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 unpaid additional maternity, paternity or adoption leave, unpaid shared parental leave or unpaid parental bereavement leave the member may elect to continue with any pre-existing AVC / SCAVC contract. 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 / SCAVC.
- During any period of absence due to a trade dispute the member may elect to continue with any pre-existing AVC / SCAVC contracts. If the member does so, the employer must meet the 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 31 March 2014 remain payable unless the member, or the employer in the case of a SCAVC, elects to end the contract. Employer contributions to an SCAVC are collected via payroll. Other contributions are not collected via payroll. The employer sends the relevant details to the reservist to pass on to the Ministry of Defence (MoD) in order to get them to arrange the relevant AVC deductions from the reservist's 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 31 March 2014 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.

### **Life assurance AVCs and unpaid periods**

If the member 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.

See [section 6.4](#) for AVC / SCAVC contracts entered into before 1 April 2014.

## **6. 2008 Scheme data**

This section deals with the data requirements for Scheme members who have pre 2014 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 LGPS administering authority:

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

The underpin has to be calculated for a member who:

- a) was an active member on 31 March 2012,
- or
- b) was an active member of another public service pension scheme on 31 March 2012 and transferred their pension benefits from that public service pension scheme into the LGPS (where the transfer bought final salary benefits, ie membership in the 2008 Scheme)

and

- was within ten years of their NPA on 1 April 2012,
- has not (after 31 March 2012) had a continuous break of more than five years in membership of a public service pension scheme,
- has not already drawn any benefits from the 2014 Scheme in relation to the employment (eg on flexible retirement), and
- has either ceased to be an active member before NPA (2008 Scheme definition) or is still an active member at NPA (2008 Scheme definition).

The final pay figure (2008 Scheme definition) for the underpin is the pay due for, normally, the 12 months preceding the date of cessation or NPA in the 2008 Scheme, whichever is the earlier. The underpin is calculated at the 2008 Scheme NPA for those who continue as an active member after that date.

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, unpaid parental bereavement 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.

If a Scheme member is subject to a reduction or restriction in pay, regulations 8 and 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 continue to apply for the purposes of the final pay calculation for (a) and (b) above regardless of whether the reduction or restriction in pay occurs before, on or after 1 April 2014.

### **Retention of payroll data**

Scheme employers must provide the relevant administering authority with the information they require to calculate the value of each member's LGPS pension entitlement correctly. Employers' data retention schedules for payroll and HR data

should take into account that there are circumstances when they will need to supply historical information to ensure that this requirement can be met.

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

### **Pensionable pay data**

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

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

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

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

### **Hours data**

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

### **Other data**

Employers are responsible for deciding whether deferred members can be paid their benefits early on ill health grounds. A deferred member is an employee who has left the Scheme but not yet taken payment of their pension benefits.

If a former employee applies for their deferred benefits to be put into payment early on ill health grounds, the employer is required to obtain an opinion from an Independent Registered Medical Practitioner before making a decision. The regulations require that the former employee is assessed in relation to their ability to do the job that they were doing immediately before they left the Scheme. It is

therefore important to keep records of former employees' duties and responsibilities, usually in the form of job descriptions.

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

## 6.2 Changes in contractual hours, weeks or days per year

For part time employees with LGPS membership before 1 April 2014, employers will still be required to notify LGPS administering authorities of changes in contractual working hours (or the average hours for the Scheme year for employees who have no contractual hours) of:

- members to whom the underpin calculation applies (see [section 6.1](#)) where the change occurs before NPA (2008 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed
- members who have an added years contract, because the added years contract has to be adjusted when contractual hours change, and
- members covered by regulation 20(13) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (minimum ill health enhancement for those who were active members before 1 April 2008, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership). A change in contractual hours can affect the level of the minimum ill health enhancement.

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

For employees with LGPS membership before 1 April 2014, employers will still be required to notify LGPS 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 and where the change occurs before NPA (2008 Scheme definition – normally age 65) so that the underpin calculation can be accurately performed,

- members who have an added years contract, and
- members covered by regulation 20(13) of the LGPS (Benefits, Membership and Contributions) Regulations 2007 (minimum ill health enhancement for those who were active members before 1 April 2008, were aged 45 or over at that time, have been in continuous membership since then, and have not already received any benefits in respect of that membership). A change in contractual weeks can affect the level of the minimum ill health enhancement.

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

For all employees covered by either of the paragraphs above, employers will need to provide, at each 31 March, the relevant changes that have occurred during the Scheme year. This information is required by the LGPS administering authority to calculate the member's benefits for the purposes of the Annual Benefits Statement and the annual allowance. At the date of leaving employers will need to provide details of the changes that have occurred during the Scheme year in which the date of leaving falls.

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

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

## 6.3 Breaks in membership

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

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

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 or adoption leave or unpaid shared parental leave.

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

- unauthorised unpaid absence

for those members:

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

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

Notification of service breaks is required so that the LGPS administering authority can determine:

- whether the final salary benefit underpin for members subject to the underpin exceeds their post 31 March 2014 career average pension, 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 met) and
- when the member meets the two-year vesting period.

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

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

## 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 before 1 April 2014 continued.

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), by both the employer and employee, continue to be payable in respect of a contract taken out before 1 April 2014, 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.

Employee contributions to AVC contracts entered into before 1 April 2014 are no longer limited to 50% of the employee's pensionable pay. From 14 May 2018, the maximum contribution is 100% of pensionable pay (based on the 2014 Scheme definition of pensionable pay) irrespective of whether the AVC contract was entered into before or after 1 April 2014.



During any period of:

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

the employee can continue with any pre-existing AVC / SCAVC contract entered into before 1 April 2014, or can elect to end 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 1 April 2014 continue to be payable, but the member can elect to end the contract. Payments under these contracts are flat sums payable per pay period, not percentages of pensionable pay.

During any period of:

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

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

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

No new ARC contracts can be taken out after 31 March 2014, but the member can take out an Additional Pension Contributions (APC) contract.

### **Added years contracts**

Existing contracts entered into by members who elected before 1 April 2008 to purchase added years of membership continue in force, unless the member elects to end the contract. Payments under these contracts are expressed as a percentage of the member's pensionable pay (2008 Scheme definition of pensionable pay). The contributions should only be deducted on the 2008 Scheme definition of pensionable pay. This excludes any pay that is pensionable in the 2014 Scheme, but which was not pensionable in the 2008 Scheme, such as non-contractual overtime.

During any period of:

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

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

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

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

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

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

During any period of:

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

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

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

Any existing ASBC contracts continue to be paid, unless the employee elects to end the contract. Members who have not entered into an ASBC contract for all or part of their pre 6 April 1988 membership to count for a cohabitee survivor's pension were not able to enter into a contract to achieve this after 31 March 2014.

Payments under existing ASBC contracts at 31 March 2014 are expressed as a percentage of the member's full time equivalent pensionable pay (2008 Scheme definition of pensionable pay).

The contributions should only be deducted on the 2008 Scheme definition of pensionable pay. This excludes any pay that is pensionable in the 2014 Scheme, but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

During any period of:

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

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

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

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

## 7. Payments in respect of a period before 1 April 2014

Where a payment is made after 31 March 2014 that relates to a period before 1 April 2014 the employee contribution rate under the 2008 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 pre and post 2014 pensionable pay.

The pensionable pay for the pre 2014 element should be based on the 2008 Scheme definition of pensionable pay (eg excluding non-contractual overtime) and not the 2014 Scheme definition of pensionable pay (which would include non-contractual overtime).

**Important:** Any pensionable pay received after 31 March 2014 which relates to a period before 1 April 2014 should not be included in CPP1 or CPP2.

## 8. Monthly payover of contributions

Employers participating in the Scheme are required to pay over to the appropriate LGPS administering authority all contributions paid by employees. This includes 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) In any other case (eg 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 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 LGPS administering authority may stipulate.

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

- CPP1 - the total pensionable pay received by members in the main section of the Scheme during the period covered by the statement. This includes the Assumed Pensionable Pay members were treated as having received during that period
- CEC1 - the total employee contributions deducted from the pensionable pay referred to in (a)
- CPP2 - the total pensionable pay received by members in the 50/50 section of the Scheme during the period covered by the statement. This includes the Assumed Pensionable Pay members were treated as having received during that period
- CEC2 - the total employee contributions deducted from the pensionable pay referred to in (c)
- CRC - the total employer contributions in respect of the pensionable pay referred to in (a) and (c)
- EAPC CAC - the total Additional Pension Contributions paid by members during the period covered by the statement, and
- RAPC CARC - the total Additional Pension Contributions paid by the employer during the period covered by the statement.

Employers participating in the Scheme are required to pay over to the appropriate LGPS administering authority all contributions paid by employers. This includes both basic contributions and the employer contributions to a SCAPC.

The employer contributions must be paid over to the appropriate LGPS administering authority on or before such dates falling at intervals of not more than 12 months as the LGPS administering authority may specify. It is common practice for the employer contributions to be paid over to the appropriate LGPS administering authority at the same time as the employee contributions.

It should be noted that:

1. employee and employer pension contributions and AVCs / SCAVCs collected on pay paid after 31 March 2014 which was due in respect of a period before 1 April 2014 (see [section 7](#)), and
2. contributions for added years, Preston part-time buy-back, ARCs and ASBCs (see [section 6.4](#))

must also be paid over to the AVC provider or LGPS administering authority within the timescales mentioned above.

The payments in respect of (1.) must be accompanied by a statement, in such form as the appropriate LGPS administering authority specifies, showing:

- a) the name, pay and contribution band 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 per pay band 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 (2.) should be accompanied by a statement, in such form as the appropriate LGPS 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’ which you can find on the [‘Employer guides and documents’](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

## 9. End of year template report

Within three months of each Scheme year end, each Scheme employer must send to the appropriate LGPS administering authority a statement showing, for each separate employment of all employees who have been active members during the Scheme year:

**Table 5: End of year data**

Information for each employment	Format
Scheme year ending	Date
Surname	Alphanumeric
Forename (or initials)	Alphanumeric
Gender	Alphanumeric (M or F)
Date of birth	Date
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 <sup>3</sup>	Date
Date ceased active membership of the Scheme in the employment if this was during the Scheme year <sup>3</sup>	Date

---

<sup>3</sup> Regulation 80(4)(a) of the LGPS Regulations 2013 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:

- the date of the beginning of the Scheme year, or
- the date the employee 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 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 thinks that administering authorities will only require the two items listed in the table above to be provided, ie date joined the Scheme in that employment if this was during the Scheme year (including those who joined the Scheme on 1 April) and the date ceased active membership in that employment if that was during the Scheme year (including those who ceased on 31 March). 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 1 April) and the date ceased active membership in the employment if that was during the Scheme year (including those who ceased on 31 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 (ie 1 April to 31 March).



Information for each employment	Format
<p>CPP1: Cumulative pensionable pay received in the employment during the Scheme year whilst in the main section. This includes:</p> <ul style="list-style-type: none"> <li>the Assumed Pensionable Pay the member was treated as receiving during the Scheme year</li> <li>the value of emoluments specified in the contract of employment as being pensionable emoluments including the value of salary sacrificed for childcare vouchers and pension contribution salary sacrifice via a Shared cost AVC arrangement.</li> </ul>	<p>Number to 2 decimal places</p>
<p>CEC1: Cumulative employee contributions (if any) deducted from pensionable pay in previous field</p>	<p>Number to 2 decimal places</p>
<p>CPP2: Cumulative pensionable pay received in the employment during the Scheme year whilst in the 50/50 section. This includes:</p> <ul style="list-style-type: none"> <li>the Assumed Pensionable Pay the member was treated as receiving during the Scheme year</li> <li>the value of emoluments specified in the contract of employment as being pensionable emoluments including the value of salary sacrificed for childcare vouchers and pension contribution salary sacrifice via a Shared cost AVC arrangement.</li> </ul>	<p>Number to 2 decimal places</p>
<p>CEC2: Cumulative employee contributions (if any) deducted from pensionable pay in previous field</p>	<p>Number to 2 decimal places</p>

Information for each employment	Format
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 this was before the end of the Scheme year. <sup>4</sup>	Alphanumeric
<p>CRC: Cumulative employer contributions deducted from pensionable pay in respect of the employment. This includes:</p> <ul style="list-style-type: none"> <li>the Assumed Pensionable Pay the member was treated as receiving during the Scheme year</li> <li>the value of emoluments specified in the contract of employment as being pensionable emoluments including the value of salary sacrificed for childcare vouchers and pension contribution salary sacrifice via a Shared cost AVC arrangement.</li> </ul>	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

---

<sup>4</sup> The LGPC Secretariat believes that this information should be provided to the LGPS 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.

For employees with membership of the 2008 Scheme who are active members at the end of the Scheme year, the employer will also need to provide:

**Table 6: additional end of year data for joiners before 1 April 2014**

Information for each employment	Format
Full time equivalent pay for the Scheme year	Number to 2 decimal places

Employers may not know in all cases whether an employee has membership of the 2008 Scheme. Administering authorities may request a full time equivalent pay figure for the year for all Scheme members.

## 10. 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 employee's total additional contributions (per type) for the Scheme year in respect of the employment
CARC	The employer's total additional contributions (per type) for the Scheme year in respect of the employment
CEC1	Cumulative employee contributions (if any) deducted from pensionable pay whilst in main section
CEC2	Cumulative employee contributions (if any) deducted from pensionable pay whilst in 50/50 section
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
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).