Absences and Additional Pension Contributions (APCs)
Buying lost pension from 1 April 2014

There may be times when you are absent from work and you don’t pay your Local Government Pension Scheme contributions. The absence could be because:

- you have a period of authorised unpaid leave,
- you have purchased additional leave by salary sacrifice,
- you have a period of unpaid additional child-related leave,
- you take industrial action (strike),
- you are called on Reserve Forces leave, or
- you are called on Jury Service (see paragraph below).

If you do not pay contributions for a period of absence other than sickness (see section on Sick Leave) you will lose accrued pension for this period. However, additional contributions to buy benefits in the ‘old’ scheme (before 1 April 2014 – the ‘Final Salary scheme’) must continue at the normal rate. This includes Added Years, ARC, ASPB and PTBB.

Sick Leave

During any period of paid or unpaid sickness, the LGPS regulations provide that the period of sick leave is treated as if you had paid your pension contributions in full. This means your membership is unaffected even if you are off on sick leave and have paid lower or no contributions. If you are paying into the 50/50 section of the LGPS see below.

Authorised Leave of Absence (Unpaid) (Includes child-related leave)

While on paid statutory child-related leave which may result in reduced pay, you are required to pay pension contributions on the pay you receive but you will receive the same pension as though you paid full contributions. Your employer is required to pay their full pension contributions as though you were receiving your full normal pay.

If you take unpaid leave, or additional child-related unpaid leave, or buy extra leave by salary sacrifice, you will not pay any pension contributions and therefore will not accrue any pension for this period. However, it is possible to buy this ‘lost’ pension by paying for Additional Pension Contributions (APCs). If you opt to pay this within 30 days of returning to work (or longer period as your employer may allow), your employer will pay 2/3 of the total cost; this is known as a Shared Cost APC (SCAPC).

The maximum period that can be purchased in this way is 36 months with the maximum lost pension being bought of £6,755 per annum. This shared cost option does not apply to a period of strike where you will be required to pay...
the full cost of the APC which also applies if you elect to pay an APC for any ‘lost’ pension after the 30 days unless your employer chooses to make a contribution.

It is not possible to buy an APC for ‘lost’ pension if you leave and do not return to active employment.

A member can choose to stop paying an APC at any time and will be credited with the amount of additional pension pro rata to the length of time it was paid for.

To find out what the cost will be to buy an APC, see **Cost of Additional Pension Contributions**. Any periods of unpaid authorised absence before 1 April 2014 will be subject to the old regulations. Contact your employer for details.

Paid **Jury Service** will not usually affect your pension entitlement unless you are taking a period of unpaid leave when you will be required to pay an APC to purchase the ‘lost’ pension if you wish. Check this with your employer.

**Paying into the 50/50 section**

If you are paying into the 50/50 section of the Local Government Pension Scheme you can still have a Shared Cost APC where it is in respect of unpaid leave or unpaid child-related leave or an APC with no employer share if it is in respect of a strike period or an election to buy lost pension if it is made after the 30 days and your employer doesn’t extend the time limit.

If you go onto no pay due to sickness and are paying into the 50/50 section and if you are still on no pay at the beginning of a second month, you will revert to the 100% main section of the Local Government Pension Scheme. However, you will be able to elect back into the 50/50 section on your return to work. Please complete the necessary option form on the Peninsula Pensions website.

**Cost of Additional Pension Contributions (APCs)**

There is an on-line calculation tool to find out the cost of an APC (see right). If you are unable to use the on-line calculator, please contact your employer for details of the cost.

Before using the calculator please contact your employer for:

- a) the total pensionable pay lost during the period of absence,
- b) the share of the cost the employer will meet – i.e. 2/3rds or 0, and
- c) confirmation of the section of the scheme you were in during the absence.

It may also help if the employer confirms the reason for, and the start and end dates of the period of absence.

The calculation of the cost is based on factors depending on:

- your age now,
- gender,
- loss of pensionable pay during the absence,
- the number of complete years over which the APCs are to be paid, and
- a pension accrual rate of 1/49th (1/98th in the 50:50 scheme).

If you decide to choose this option you will need to print off an **election form** for your employer and another one for Peninsula Pensions. Your employer will check the information is correct and confirm the details of the APC in writing.
The factors used in the calculation are produced by the Government Actuaries’ department and are subject to change. The subsequent changes to any APCs currently being paid will take effect from the following April.

**Shared Cost APCs**

APC sand/or SCAPCs (Shared Cost APCs) can be paid as regular contributions over a minimum period of one year, over multiples of whole years, or as a lump sum through a deduction from your pay. All of these contributions will receive tax relief at source. A lump sum can also be paid direct to Peninsula Pensions, but you will need to claim any tax relief that might be due from HMRC on a self-assessment tax form. Please contact Peninsula Pensions if you are interested in this option.

An APC/SCAPC can only be payable as a monthly contribution to your Normal Pension Age at the latest and if you are already over your Normal Pension Age payment would have to be made by lump sum.

**Ill Health**

If a member retires on ill-health Tier 1 or Tier 2 grounds, any outstanding APC payments will be deemed to have been paid and credited to your pension account to be included in your benefit calculations. However, pension purchased by APCs will be subject to reduction (even if your normal benefits are fully protected) or enhancement if taken before or after the member’s Normal Pension Age (NPA) under the 2014 Scheme in all other circumstances.

If you elect to purchase £2,000 or more additional pension, you will need to get our medical form completed by your GP with any cost borne by yourself.

Buying back the whole of the lost pension will ensure the period of leave of absence is included when calculating certain protections if you were a member of the scheme before 1 April 2014. For example if you are a member to whom the Underpin or the Rule of 85 applies.

Please note APCs only buy pension for an active member and do not provide pension for any dependants.

**Bronwyn**

Each year the additional pension bought either by lump sum or regular contribution will be added to your LGPS pension account and the total amount revalued at the end of each year in accordance with the regulations.

**Examples of how much APCs cost to buy lost pension**

Bronwyn is 25 and she wants to purchase lost pension of £2,000 a year, paying for this over 10 years.

If none of the cost is met by her employer, Bronwyn will pay £111.46 each month for 10 years totalling £13,377 to receive extra annual pension of £2,000.

Based on Bronwyn paying 20% income tax or the 40% higher tax the net cost of her additional contribution each month would be approximately:

<table>
<thead>
<tr>
<th>Monthly additional contributions</th>
<th>20% tax payer</th>
<th>40% tax payer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross monthly additional contributions (before tax relief)</td>
<td>£111.46</td>
<td>£111.46</td>
</tr>
<tr>
<td>LESS income tax</td>
<td>£22.29</td>
<td>£44.58</td>
</tr>
<tr>
<td>Net monthly cost (after tax relief)</td>
<td>£89.17</td>
<td>£66.88</td>
</tr>
</tbody>
</table>
Need help

Please note Peninsula Pensions cannot give advice and it is suggested that you contact an Independent Financial Advisor if you need help in making your decision.

Contact Us

If you require any further information please contact us using the details below:

☎ 01392 383000 – Ask for Pensions then option 5
✉ pensions@devon.gov.uk
ที่อยู่ www.peninsulapensions.org.uk

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