THE LOCAL GOVERNMENT PENSIONS SCHEME (LGPS)

OPTION TO PAY BACK CONTRIBUTIONS TO AVOID A PERIOD OF 'LOST' PENSION

ACTION TO BE TAKEN BY SCHEME EMPLOYERS

1   Identify members who have returned to work following a break in service due to child-related leave or agreed unpaid leave.

2   Send a list of all those members to the Pension Fund setting out Name, National Insurance Number, Date of Birth, Payroll Number, Post Reference (if member has more than one job), and Date of Absence.   Submit this to info@berkshirepensions.org.uk.

3   Check that none of your scheme members who have had a leave of absence have already entered into an APC contract to purchase the maximum additional pension permissible (currently £7,194) as this would deny them the opportunity of buying back the pension they have 'lost' as a result of their absence.

4   Write to your scheme members using specimen letter 1 and enclose the guide 'Option to pay back contributions to avoid a break in service' produced by the pension team.

5   Provide details of the *Assumed Pensionable Pay, dates of absence, reason for absence and confirmation of the section of the scheme (MAIN or 50/50) into which the member contributes as part of specimen letter 1.

6   Once an application form has been returned by the member and received in payroll, arrange to make the necessary deduction as a monthly amount or lump-sum (depending on the method of repayment that the member has opted for). Complete specimen letter 2 and send this to your employee remembering to send a copy to the pension team at info@berkshirepensions.org.uk

7   Make sure that for all members who do buy back their 'lost' pension that you add the 'lost' pay figure to the member's Cumulative Pensionable Pay (CPP) when submitting your year end return to the pension team.

*Assumed Pensionable Pay (APP)

APP is calculated as an annual rate then applied to the relevant period as a proportion of that rate. The annual rate is calculated as follows:

Calculate the average of the pensionable pay for the 3 complete months prior to the relevant. Gross up the figure as calculated to an annual figure. If 3 complete pay periods do not exist use whatever number of pay periods that are available. For weekly paid staff simply replace 3 months with 12 weeks.

> **EXAMPLE:**
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> Leave of absence from 1 July to 15 July 2020 (15 days).
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> Last 3 full pay periods would be April, May and June 2020.
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> Earnings were:
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> April   £1,000
> May   £1,000
> June   £1,200
>
> Total earnings for the 3 months is: £3,200 x 12/3 = £12,800 p.a.
>
> £12,800 / 12 = £1,066.67 / 31 x 15 (days) = £516.13 (APP)
>
> If the member goes ahead and buys back their 'lost' pension the APP figure of £516.13 must be added to the Cumulative Pensionable Pay (CPP) when submitting the full year's CPP for that member to the Pension Fund.

Relevant Event:

For the purposes of calculating APP for a period of child-related absence the relevant event is the date from which the member goes into reduced pay.

The relevant event for a period of authorised unpaid leave is the first day of the absence.