

THE LOCAL GOVERNMENT PENSIONS SCHEME (LGPS)

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



Whilst a member of the Local Government Pension Scheme (LGPS) there may be occasions when you are away from work and in some cases do not pay pension contributions. This may be because of a **period of agreed absence** or a **period of child-related leave (maternity, paternity or adoption leave)**.

If you are away from work for any of the above reasons the amount of pension credited to your pension account during this time will be reduced. This is often referred to as **'lost'** pension.

Can I pay contributions to recover the amount of pension 'lost' as a result of my absence?

Yes, there is an opportunity for you to pay contributions to cover the period of 'lost' pension by entering into a **Shared Cost Additional Pensions Contract (SCAPC)**.

You can enter into an SCAPC contract to purchase the amount of pension 'lost'. This option is available to both members of the MAIN and 50/50 sections of the LGPS.

What is meant by a SCAPC?

Shared Cost Additional Pension Contributions (SCAPCs) cover the amount of pension 'lost' during periods of unpaid additional Maternity, Adoption and Paternity leave or periods of unpaid authorised leave of absence.

Shared cost means that if you want to cover such a period, the cost of buying the 'lost' pension is shared between you and your employer, with your employer meeting 2/3rds of the cost.

You can pay these additional contributions in a one-off lump sum or through regular payments from your wages.

When do I have to elect to buy back the 'lost' pension?

An election to buy back the 'lost' pension can be made at any time whilst you are an active member of the LGPS. However in order to buy back an amount of 'lost' pension through SCAPCs you must make an election to do so **within 30 days of returning to work**. If your election is received outside of the 30 days following your return to work, you are still eligible to buy back a period of 'lost' pension but this will be calculated at the 'Full-Cost' and not the 'Shared Cost'

The maximum period of absence you can elect to buy back by a SCAPC is a period of 3 years.

What happens if I am on leave due to sickness?

Please note that you don't need to buy 'lost' pension if you are on sick leave. Your pension benefits continue to build up assuming you had remained at work during this time.

In addition if you are a new parent on a period of ordinary maternity, paternity or adoption leave and any period of paid additional maternity, paternity or adoption leave, you do not need to buy back 'lost' pension. It is only if you enter a period of unpaid additional maternity, paternity or adoption leave that you would lose some pension and may wish to enter into a SCAPC contract.

How do I calculate the value of my 'lost' pension and how much will it cost me to buy it back?

An online calculator is available to calculate how much it would cost to buy 'lost' pension due to a period of absence.

By using the online modeller you can print off an application form to send to your employer.

In order to use the modeller to calculate the amount of 'lost' pension your employer will need to provide you with the following information:

- **Dates of absence period**
- **Reason for absence**
- **Total Assumed Pensionable Pay lost during period of absence**
- **Section of LGPS you contributed to during period of absence. (i.e. MAIN or 50/50)**

The above information should be provided to you in the letter which accompanies this factsheet. Please contact your employer directly if you have not received this information.

Once you have this information you can work out the cost of buying back that amount of 'lost' pension by visiting <https://www.lgpsmember.org/help-and-support/tools-and-calculators/buy-lost-pension-calculator/> where you will find an APC modeller. If you do not have access to the internet please contact the payroll team who will provide this information for you and send you an application form for completion should you wish to proceed with the buy back of your 'lost' pension.

If you need any assistance in filling out the details please contact the pension team who will be happy to help.

What if I have more than one job?

If you hold more than one job and you are absent from those jobs as a result of unpaid leave of absence you can elect to pay SCAPCs in respect of each of your jobs in order to buy back the pension 'lost' as a result of your absence.

Because each of your jobs is treated separately for pension purposes, a separate calculation will need to be undertaken to work out the pay you have lost in each job and the cost of buying back the pension 'lost' in respect of each job. If you wish, you can choose to buy back the pension 'lost' in respect of all of the jobs you hold or only one or some of the jobs you hold. You will need to make sure that you inform your employer of the jobs in respect of which you wish to buy back the 'lost' pension when applying to pay SCAPCs.

What if I am already paying additional pension contributions?

Any additional contributions that you are already paying to purchase additional pension benefits will continue to be deducted in the normal way throughout a period of absence. There are, however, two circumstances that you need to consider:

- 1 If you have already entered into an APC contract to purchase the maximum additional pension possible (currently £7,194 per year) you will not be able to buy back the 'lost' pension as result of your absence and;
- 2 If you currently pay Additional Voluntary Contributions (AVCs) as a percentage of your monthly pay (as opposed to a fixed amount) the amount of earnings lost due to your absence will not generate an AVC deduction. If you wish to ensure the full amount of your AVC is paid, you will need to request that your employer makes an adjustment to the contributions deducted in the pay period to which the leave of absence relates. Otherwise, the amount of AVC paid into your AVC account for that pay period will be reduced.

What is meant by Assumed Pensionable Pay (APP)?

APP is calculated based on the average of your pensionable pay for the 3 complete months prior to the relevant event (this being the date on which you first commence your leave of absence). If you are weekly paid we would replace 3 months with 12 weeks.

EXAMPLE:

Leave of absence from 1 July to 15 July 2021 (15 days).

Last 3 full pay periods would be April, May and June 2021.

Earnings were:

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.

$\text{£12,800} / 12 = \text{£1,066.67} / 31 \times 15 \text{ (days)} = \text{£516.13 (APP)}$

The APP figure of £516.13 would then be input into the online calculator.

What happens if I am on Reserve Forces Service Leave?

If you enter into a period of reserve forces service leave you will continue to pay a contribution to the Fund in order to continue to build up a pension as if you had been at work throughout. In order to do this your employer will calculate contributions based on your Assumed Pensionable Pay whilst you are on leave and add the pension to your pension account. The Ministry of Defence would then be required to deduct these contributions from you and pay them over to the Berkshire Pension Fund in order to maintain your continued pension entitlement.

Disclaimer

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