

# LGPS Member Absence



Local Government Pension Scheme

## A Guide for Scheme Employers

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### Introduction

The guide aims to answer any queries you may have about member absence and the effect on their pension rights and your duties.

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**For information on which forms to complete and how to notify us please see our Pension Handbook for Scheme Employers (G001)**

You can print or download interactive Forms and Guides from our website:  
<https://www.norfolkpensionfund.org/about/employers/>

**These notes are based on our understanding of the current legislation and background information, including any guidance from the Ministry of Housing, Communities and Local Government (MHCLG) and the Local Government Association (LGA). However, nothing contained in them can override the LGPS legislation.**

## Absence Due to Illness or Injury

During a period of absence due to illness or injury a member is considered to remain a member of the LGPS even whilst on reduced contractual pay or nil pay.

The member should pay contributions on any pensionable pay they receive, whilst employers will pay contributions on Assumed Pensionable Pay (APP) for the duration of the absence.

If the member is in the 50/50 section of the scheme and goes onto no pay due to illness or injury, they must be moved back into the main section of the scheme from the beginning of the next pay period if they are still on nil pay.

This would even be the case where, for example, an employer has a policy of nil pay for the first 3 days of sickness, and the first 2 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 such a situation the member would have to be put into the main section from the beginning of the next pay period. The member will, of course, have the right to make a further 50/50 election which, if made before the payroll is closed, would mean the member would have continuous 50/50 membership.

For guidance on how to calculate and record APP please see our **Pensionable Pay Guide(G010)** and **Employer Guide to i-Connect File Uploads (G052)** or **Employer Guide to i-Connect Online Returns (G053)**

## Ordinary or Additional Paid Child Related Leave

Relevant Child Related Leave refers to ordinary and additional paid maternity, paternity and adoption leave.

Whilst on relevant child related leave the member remains a member of the LGPS and pays contributions on any pensionable pay received.

If the member is in the 50/50 section of the scheme and goes onto no pay during a period of child related leave, they must be moved back into the main section of the scheme from the beginning of the next pay period.

As an employer you will need to calculate the Assumed Pensionable Pay (APP) at the beginning of the absence and pay contributions based on this. When the member ceases relevant child related leave, the requirement to pay employer contributions on APP will cease. If the member returns to work you will revert back to paying contributions based on Pensionable Pay.

Note: If the member's actual pensionable pay exceeds the Assumed Pensionable Pay any day during relevant child related leave, the amount of pensionable pay received should be added to the member's cumulative pensionable pay (and not APP).

If the member goes onto any period of unpaid additional maternity, paternity or adoption leave, this is to be treated as unpaid leave of absence (see following section for further details)

Guidance on how to calculate and record APP can be found in our **Pensionable Pay Guide(G010)** and **Employer Guide to i-Connect File Uploads (G052)** or **Employer Guide to i-Connect Online Returns (G053)**

## Authorised Unpaid Leave

Authorised unpaid leave (otherwise than because of illness or injury, ordinary or paid additional child related leave, or reserve forces leave) does not count for pension purposes. Members will have 'lost' pension equal to 1/49<sup>th</sup> of the pensionable pay they would have received had they not been absent (or 1/98<sup>th</sup> if they are in the 50/50 section).

This has some potential implications. For example, each day of absence:

- will marginally reduce the amount of pension to be added to a pension account (compared to the amount of pension added had there not been a period of unpaid leave).
- will in some cases, extend by the length of the absence, the date when a member who joined the Scheme before 1 October 2006 could retire before Normal Pension Age on an unreduced pension (i.e. add the length of the absence to the date on which a member's combined age and membership in the Scheme, both in whole years, add up to 85 (known as the '85 year rule').
- may, if the member joined the Scheme prior to 1 April 2014, have a marginal impact on the final pay figure used in the calculation of their pre 1 April 2014 pension benefits should they leave within 12 months of the end of the period of absence or, in some cases, within 3 years of the end of the period of absence. Whether the final pay figure might be more or less than if they had paid contributions to enable the day to count will depend on the date of leaving and the level of promotions or pay rises, etc after the period of unpaid leave has ended and, in some cases, how these compare to the level of pay prior to the unpaid period.

### Options

Members may opt to pay Additional Pension Contributions (APCs) in order to buy-back the lost pension and count the period in full for pension purposes. As an employer you must meet 2/3rds of the cost provided the member makes an election within 30 days of returning to work after the period of absence.

If the member makes an election after the 30 days they can still buy back the amount of lost pension but it will be at whole cost to them (unless as an employer you choose to contribute towards the cost). Members can opt to pay at any time and can cover the lost pension for a period of absence up to a maximum of 36 months.

## How does it work?

Members can choose to buy the lost pension by spreading the payment of additional pension contributions over a number of complete years or by making a one-off lump sum payment. However, if the member is within a year of, or over, their Normal Pension Age or the cost to them is under £60 they can only pay by means of lump sum.

- If members choose to spread the payments, the additional contributions should be deducted from their pay each pay period and attract automatic tax relief.
- If they choose to pay by one-off lump sum they can do this through payroll and receive automatic tax relief or,
- Make payment direct to Norfolk Pension Fund. The member would be responsible for claiming any tax relief on the payment direct from HM Revenue and Customs via their self-assessment tax return. Note: If members make direct payment to us there are potential tax implications if they use a tax free lump sum due from, or already received from, a pension scheme to fund the payment.

If members choose to buy the lost pension by making a lump sum payment, they will be credited with the full amount of pension bought immediately.

If they choose to spread payment of the additional pension contributions over a number of complete years they will be credited with the full amount of lost pension bought if they complete the payments or if, before completing payments, they are retired on the grounds of ill health with an enhanced pension. In all other cases, if a member ceases payments early (either because they choose to cease making payments or because they cease membership of the pension scheme) they will be credited with the amount of lost pension they had bought at that time.

## What if the member has more than one pension account?

If a member has more than one active pension account in the scheme (i.e. because they are in the pension scheme in more than one job) they must specify which job the lost pension is in respect of. If they wish to pay additional pension contributions for each job, they will have to submit separate applications to buy lost pension for each job.

## What would happen when they retire?

Any lost pension bought increases the pension payable when they draw their pension. If they draw their pension before their Normal Pension Age (NPA) the lost pension bought will, unless retirement is on the grounds of ill health, be subject to a reduction (because it is being drawn early) and if they draw their pension after their NPA it will be subject to an increase (because it is being drawn late).

In the event a member dies, no extra pension benefits will be payable to their dependants in respect of the lost pension bought as the APCs buy extra pension for the member only.

## Absence Due to Strike

During a period of absence from work because of strike the member remains an active member of the LGPS but no pension benefits build up.

This means, for example, each day a member is absent during and because of strike action:

- may marginally reduce the amount of pension to be credited to their CARE pension account (compared to the amount a member would have been credited had they not been absent)
- may have a marginal impact on the Final Pay figure used in the calculation of “final salary” benefits where a member leaves the scheme within 12 months of the end of the absence (or within 3 years in some cases)
- in some cases, extend by the length of the industrial action, the date the 85 year rule is attained.

There are provisions in the LGPS 2013 Regulations which enable a member to elect to purchase the pension benefits lost during an absence due to strike. This is done by paying Additional Pension Contributions (APCs) to purchase the amount of pension lost during the absence. The member can do this regardless of whether they are in the main or 50/50 section of the Scheme.

Buying back lost pension following strike action is at full cost to the member and they can make an election at any time after returning to work whilst still an active member.

### What you need to do

Please tell us about all members who go on strike using [Notification of Absences due to Trade Disputes SR76A](#) and send via secure email to [pensions.technical@norfolk.gov.uk](mailto:pensions.technical@norfolk.gov.uk). Ensure all affected employees are aware of the provisions by issuing them with a copy of our [Absence Due to Trade Dispute Buying Back ‘Lost’ Pension Form \(SR92\)](#).

If the member does not wish to buy back the lost pension, they do not need to take any action. If they do wish to then they will need to return the SR92 to us. Once we have received the SR92 we will process the application and send you instructions to make the deduction through payroll. We will confirm to the member too.

Although the regulations do allow for contributions to be taken in regular instalments, it is Norfolk Pension Fund policy for any amounts under £60 to be paid as a single lump sum payment only. All payments should be made by lump sum through payroll in the next available pay run upon receipt of notification from us.

Please be aware members might use the APC calculator on the LGA website [www.LGPSmember.org](http://www.LGPSmember.org) to work out the cost of buying the lost pension. Members are able to print an application form and they are instructed to send a copy to both you and us. If you receive any LGA forms please **do not** action anything on payroll

until we advise you to do so. This is so we can check the amount being bought and update our records accordingly before notifying you.

Any existing additional contributions, including AVC payments, should continue as if the member had never been absent due to strike.

## Reporting

We will not be able to process applications to buy lost pension from members until we have received and processed your notification to us (SR76A spreadsheet) – so please send this to us promptly.

If the member has a period of authorised unpaid leave of absence or is absent due to strike action, APP should not be added to the pensionable pay cumulative for the period of absence.

## Monthly Contribution Remittance (SR71) and i-Connect Return or File Submission

Where a member opts to pay APCs via payroll to cover the lost pension these should be treated as pension contributions and be included in the normal monthly contributions pay over to us on your SR71 (APC column) and i-Connect Return/File in the appropriate column.

Please see our **Employer Guide to i-Connect File Uploads (G052)** or **Employer Guide to i-Connect Online Returns (G053)** for further guidance.

## Member Leaving Scheme (L45)

You should indicate in the comments section on all Termination Forms (L45) if the member has been absent due to strike action at any time during the three years to date of termination and show whether additional pension contributions have been paid.

Additional Pension Contributions should be shown separately on all Termination Forms.

You will need to consider whether or not the member has opted to buy lost pension when completing the Full Time equivalent (FTE) Final Pay on any **Member Leaving Scheme Form (L45)**. If the member has not paid APCs you will need to gross up the pay to take this into account. For example, if there is 2 days absence for strike then the pay in the year will only be for 363 days. To make into an annual figure simply multiply by 365 and divide by 363. If the member has paid APCs you should include the 'lost' pay in the Final Pay figure as if it had been paid to the member.



## Reserve Forces Leave

Reserve Forces Leave means absence from duty because of being called out or recalled for permanent service in His Majesty's armed forces in accordance with a call-out notice served, or a call-out or recall order made under the Reserve Forces Act 1996.

A member on Reserve Forces Service Leave may be eligible to be in the Armed Forces Pension Scheme however they can elect to remain a member of the LGPS.

You should calculate APP whilst the reservist is on leave and add to the member's pensionable pay cumulative on the payroll (i.e. into the main or 50/50 section) so the member continues to build up a pension as if they were still at work

Any actual pay to the member (reservist) whilst they're on Reserve Forces Leave is not pensionable.

You should notify the reservist and, via the reservist, the Ministry of Defence (MoD) of both the APP figure and the member and employer contribution rate due. Details of any APCs or AVCs to be paid during the period of reserve forces service leave are also to be included.

The MoD should deduct the member contributions and additional member contributions (if any) from the reservist and pay those contributions, together with the employer contribution and any additional employer contributions, to you as the scheme employer.

The member and MoD pay contributions on APP during Reserve Forces Leave. As the employer you do not pay any contribution on the APP but are responsible for paying over the contributions received from the MoD to the Fund.

## Existing Additional Contribution Contracts

### Contracts taken out after 1 April 2014.

Additional Pension Contracts (APCs) remain payable except during a period of sickness or injury on nil pay when the member contributions are deemed to have been paid.

### Contracts taken out before 1 April 2014

	<b>Sickness absence – full or reduced pay</b>	<b>Sickness absence – nil pay</b>	<b>Reserve Forces Leave</b>
<b>Additional Voluntary Contributions (AVCs)</b>	If a member has a contract to pay 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.		
<b>Additional Regular Contributions (ARCs)</b>	The member will continue to pay the contributions under the ARC contract on the pay received.	The member does not pay contributions under the ARC contract. (the contributions are deemed to have been paid)	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 member is not required to pay contributions (they are deemed to have been paid).
<b>Added Years Contracts</b> <i>(the contributions should only be deducted on the 2008 Scheme definition of pensionable pay)</i>	The member will continue to pay the contributions on the pay received.	The member does not pay contributions (the contributions are deemed to have been paid)	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 member is not required to pay contributions (the contributions are deemed to have been paid).

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