

## **Additional Pension Contributions**

### **Buying pension lost due to absence**

**Terms and Conditions version 1.8**

#### **General**

If you have a period of authorised leave of absence on no pay (otherwise than because of illness or injury, or ordinary or paid additional child related leave, or reserve forces service leave), or a period on no pay due to a trade dispute, you will not be building pension during that period.

However, you can, if you wish, buy back the amount of pension you lost during that period by paying Additional Pension Contributions (APCs). You can do this regardless of whether you are in the main or 50/50 sections of the pension scheme.

Buying back the whole of the lost pension will ensure the period of leave of absence on no pay, or the period on no pay due to a trade dispute, is included when calculating certain protections due under the scheme if you were a member of the scheme before 1 April 2014 e.g. if you are a member to whom the underpin or Rule of 85 apply.

If you wish to buy back lost pension resulting from leave of absence (other than due to a trade dispute), your employer will meet 2/3rds of the cost provided you make an election to do so whilst you are an active member of the Scheme and within 30 days of returning to work after the period of absence. If you make an election after 30 days and whilst still an active member you can still buy back the amount of lost pension but it will be at whole cost to you (unless your employer extends the period for you to make such an election and therefore chooses to contribute towards the cost). You can cover lost pension for any period of absence but the maximum period for which an employer must meet 2/3rds of the cost, is a period of 36 months.

Buying back lost pension following a trade dispute would be at full cost to you (unless your employer chooses to contribute towards the cost).

You can choose to buy the lost pension by spreading payment of the APCs over a number of complete years or by making a one-off lump sum payment. However, if you are within a year or over your Normal Pension Age (NPA) under the pension scheme (or your pension fund administering authority take the view that spreading payments would be impracticable) you can only pay by means of lump sum.

If you choose to spread the payments, the APCs would be deducted from your pay each pay period and attract automatic tax relief. If you choose to make payment by a one off lump sum this would normally be deducted from your pay (with automatic tax relief). However, you have the option to make a lump sum payment direct to your pension fund administering authority but you would then be responsible for claiming any tax relief on the payment direct from HM Revenue and Customs via your self-assessment tax return. Please note, tax relief will only be given on contributions up to 100% of your UK taxable earnings or, if greater, £3,600 to a tax relief at source arrangement, such as an APC arrangement.

If you choose to buy the lost pension by making a lump sum payment, you will be credited with the full amount of pension bought immediately. If you choose to spread payment of the APCs over a number of complete years you will be credited with the full amount of lost pension bought if you complete the payments or if, before completing payments, you are retired on the grounds of ill health with an enhanced pension. In all other cases, if you cease payments early (either because you choose to cease making the payments or because you cease membership of the pension scheme) you will be credited with the amount of lost pension you had bought at that time. For example, if you had a period of absence of 15 days which resulted in lost pension of £17.01 which you were covering by payment of APCs and you left having paid £101.45 out of a total of £243.48 you were due to pay, you they would be credited with an amount of pension of  $£17.01 \times £101.45 / £243.48 = £7.09$ . Furthermore, if you have any pre 1 April 2014 membership of the LGPS, you will be treated as having covered that part of the period of absence you had paid for, with the period purchased counting from the beginning of the period of absence. In the above example the period purchased would be  $15 \times 101.45 / 243.48 = 6.25$  days which would be rounded up to 7 days and you would be deemed to have bought the first 7 days of the period of absence.

Your pension fund administering authority may require a satisfactory medical report to be submitted, at your cost, before your application is accepted. Where this is the case you will be notified of the process to be followed after submitting your application to pay APCs.

Any lost pension bought increases the pension payable to you when you draw your pension. If you draw your pension before your Normal Pension Age (NPA) under the pension scheme the lost pension that has been bought will, unless retirement is on the grounds of ill health, be subject to a reduction (because you are drawing it early) and if you draw your pension after your Normal Pension Age (NPA) it will be subject to an increase (because you are drawing it late). Your NPA is equal to your State Pension Age at the time you start to draw your pension (but with a minimum of age 65).

In the event of your death, no extra pension benefits will be payable to your dependants in respect of the lost pension bought (as the APCs buy extra pension for you only).

It should be noted that if you enter into a contract to buy APCs via regular payments, the contributions you pay are subject to periodic review and may increase in the future. If this applies, your pension fund administering authority will let you know the revised contributions payable and the new contributions will apply from the April following the review.

### **The Process**

Before using this website to obtain a quote for buying back the amount of lost pension you must first obtain a written statement from your employer showing the total amount of pensionable pay lost during the period of absence or trade dispute and confirmation of the section of the scheme you were in (main section or 50/50 section) during the period of absence or trade dispute. You will need this information

when obtaining a quote from this website of the cost of buying back the amount of lost pension. You should keep a copy of the written statement from your employer for your records. You can request the statement from your employer if they have not automatically sent it to you following the period of absence or trade dispute. If your period of absence is authorised unpaid leave or unpaid additional child related leave and your election is made more than 30 days after the date you return to work you may seek agreement from your employer that they will contribute towards the cost of the lost pension, but your employer is not obliged to contribute. If your employer does agree to contribute in this situation, your employer will need to sign the completed application form to confirm that this has been duly authorised.

When making an application you must specify the amount of pensionable pay lost during the absence (as provided by your employer) and, if payments are to be made by regular contributions, the period over which the contributions are to be paid (but the end date for regular contributions can be no later than your Normal Pension Age under the scheme).

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

After getting the APC quote from this website you should, using the application form provided on this website, submit the application to your employer. On receipt of your application, your employer will check they agree the details outlined in Part A of the completed application and, where they have agreed to contribute towards the cost of any lost pension when their contribution is not required under the Scheme regulations, duly authorise this. Your employer will sign and date the form and submit it to your pension fund administering authority.

If you choose to pay by regular additional contributions, or by a one off lump sum deduction from pay, your employer will commence deduction of the APCs from your pay from the next available pay period after they receive agreement from your pension fund administering authority and notify you that your application has been accepted unless: (a) the pension fund administering authority requires a satisfactory medical report to be submitted first, or (b) your employer considers that, based on your previous pay history, it is not likely to be possible to collect the APCs you wish to pay, or (c) your pension fund administering authority takes the view that spreading payments would be impracticable and requires that you pay via a lump sum. You will be notified if the pension fund administering authority requires you to submit a medical report before your application can be accepted or if your application to pay APCs has been turned down and, if so, the reason your application has failed.

If you choose to pay by a lump sum payment made direct to the pension fund administering authority you should not submit the payment to them until they have confirmed that your application has been accepted and they have provided you with details of how to make the payment. If they require a satisfactory medical report to be submitted before the application can be accepted they will inform you of this.

Please note that if there is a delay in a decision on whether your application can be accepted which is caused by you and you pass a birthday which results in the cost of purchasing lost pension to change, you will be asked to resubmit a new application.

### **The Agreement**

By signing the application form to buy lost pension you agree to the amounts shown as payable by you being deducted from your pay or invoiced to you depending on the method of payment chosen. If regular payments have been selected then your agreement to deduct the amount shown as payable by you continues for the period shown on the application form.

Should you fail to meet any of the payments due the agreement shall cease and the amount of pension purchased shall be adjusted to take account of the period over which payments have not been received.