# Additional Pension Contributions (APCs) v1.9

**Additional guidance to cover how APCs work and how the amount of extra or lost pension purchased drops into a member's active pension account**

## Introduction

1. Since 1 April 2014 the facility to buy extra pension in the Local Government Pension Scheme (LGPS) in England and Wales has been through Additional Pension Contributions (APCs). This guidance applies to elections made by a member and awards made by an employer under regulation 16 of the LGPS Regulations 2013. It is intended for use by administering authorities and employers and should be read in conjunction with the Secretary of State guidance on the 'Purchase of additional pension - Elections on or after 1 April 2014'.

2. The Local Government Pension Committee (LGPC) received numerous comments from administering authorities and employers in advance of the introduction of the new scheme on 1 April 2014 regarding the expectation that introducing Additional Pension Contributions (APCs) to buy lost pension (resulting from a period of unpaid authorised leave of absence, unpaid child related leave or industrial action) would result in increased administration. Based on these comments the decision was taken to develop an online calculator which would provide members with a facility to determine whether they would want to buy lost pension as well as a facility to buy extra pension. It provides an application form which can be printed and sent to the employer (buying lost pension) or the administering authority (buying extra pension).

3. The calculator is available on www.lgpsmember.org. Funds can link directly to the calculator and if an administering authority wishes to add the calculator directly to their website the LGPC has made the code freely available. The code can be downloaded from the LGPS regulations website. The APC calculator was released in May 2014 and various updates have taken place since then. The calculator offers the option of either a quote only or an application route for both buying extra pension and buying lost pension. To view details of changes made to the calculator since its first release see www.lgpsregs.org/index.php/resources/code-modellers. Since April 2015 amendments to the calculator are made to implement changes as a result of legislative amendments and to rectify any inaccuracies which come to light. Feedback is welcomed to ensure that the process continues to work appropriately.

## Extra or lost pension

4. Members in the main section of the Scheme may choose to buy extra pension or buy back lost pension whilst those in the 50/50 section may only choose to buy back lost pension. Buying back lost pension will ensure the period relating to the lost pension is included when calculating protections under the Underpin and Rule of 85 and when calculating final pay for benefits relating to pre 1 April 2014 membership. Pension purchased in either way will be subject to reduction or enhancement if taken before or after the individual's Normal Pension Age (NPA) under the 2014 Scheme (except in cases where enhanced ill-health benefits are awarded - see paragraph 70 below).

5. Any additional pension bought (by either the member and / or their employer) is only for the member's retirement benefits. In the event of the member's death, no pension benefits will be payable to dependants in respect of the additional pension bought by the member or the employer. Any additional pension being purchased counts as Part

D1 (post 31 March 2020 pension) and so has an NPA equal to State Pension Age (SPA), or age 65 if later. Please note that, by virtue of regulation 30(7), where a member receives payment of their pension following termination of their employment on the grounds of redundancy or business efficiency any additional pension bought by the employer (or bought by the member) under regulation 16 is subject to actuarial reduction, but additional pension bought by the employer under regulation 31 is **not** subject to actuarial reduction. Thus, if the employer gives £1,000 additional pension under regulation 16 at whole cost to the employer it would be subject to an actuarial reduction under regulation 30(7)(a) but if the employer gives £1,000 additional pension under regulation 31 at whole cost to the employer it would **not** be subject to an actuarial reduction under regulation 30(7)(b).

6. If the reason for lost pension was authorised unpaid leave or unpaid additional child related leave and the member makes their election to purchase that entire lost pension within 30 days of returning to work (or such longer period as the employer may allow) the employer must contribute 2/3rds of the cost. The period of absence must be on or after 1 April 2014.

7. Where an election to buy back lost pension (for authorised unpaid leave or unpaid child related leave) is made more than 30 days after the member returns to work and the employer does not extend this period, the cost of buying this lost pension falls fully to the member (unless the employer voluntarily chooses to contribute towards the cost and, if they do so, they can meet any proportion of the cost). Members can use the 'buying lost pension' section of the calculator where the election is more than 30 days after they return to work and a warning will be shown to indicate that they will be required to meet the cost in full (unless the employer chooses to extend this 30 day period and the 30 day override box in the 'Buy Lost Pension' field has been ticked).

8. Please note that where a member is buying lost pension due to a trade dispute the full cost always falls to the member only (unless the employer voluntarily chooses to contribute towards the cost).

9. Only active members can elect to buy lost or extra pension. In the case of buying lost pension it may arise that an active member is aware that they will not be returning to work after, for example, a period of authorised leave of absence or unpaid child-related leave but wishes to take out a SCAPC to cover that lost pension. In such cases the LGPS Regulations 2013 allow the active member to elect for a SCAPC to cover the lost pension **before they leave that employment**. The member could obtain the value of the assumed pensionable pay (APP) for the period of lost pension and elect to buy the lost pension by making a SCAPC lump sum payment direct to the administering authority (as they have no pay from which the deduction can be made) and the employer would have to meet 2/3rds of the cost of the SCAPC. The same principle applies in the case of trade disputes except that this would not be a SCAPC (as the full cost would fall to the member unless the employer voluntarily chooses to contribute towards the cost). In all these cases the election and payment would have to take place whilst the member remained active.

10. To buy lost or extra pension a member can obtain a quote and an application form from www.lgpsmember.org or from their employer or appropriate administering authority.

11. Payment may be by regular deductions from pay, a lump sum deducted from pay or a lump sum paid directly to the administering authority. Those members who are a year or less from their NPA (or those members over their NPA but under age 75)

may only pay by means of lump sum (either from pay or direct to the administering authority).

12. When making an application a member must specify the amount they wish to pay or the amount of pension they wish to purchase and, if payments are to be made by regular contributions, the period over which the contributions are to be paid (but payment by regular contributions must be over a complete year or number of years and the end date for regular contributions can be no later than the member's NPA).

11. Payment by regular deductions from pay are to be paid over a number of whole years. The minimum is 1 year, and the maximum is the number of years to the member's NPA (which is equal to the member's SPA, or age 65 if later).

12. If the member has more than one active pension account (i.e. because the member is in the Scheme in more than one job) the member must specify which account the additional pension is to be credited to. If the member wishes to pay additional pension contributions for each job, the member will have to submit separate additional pension contribution applications for each job.

13. Where a member is making regular deductions towards an APC arrangement to buy lost or buy extra pension, that arrangement ceases when:

    a) The period of the arrangement (a minimum of 1 year and a maximum period to the member's NPA) expires
    b) The member gives one month's written notice to terminate the arrangement
    c) The member takes flexible retirement
    d) The member is no longer an active member of the scheme
    e) The member leaves the employment (relating to that arrangement), or
    f) The member dies.

    In the case of (e) where the member has more than one job (i.e. more than one pension account) the arrangement will only cease if the job that the member has left is the same job that the additional pension was being credited to.

    An arrangement to buy extra pension (but not lost pension) also ceases when a member makes an election to join the 50/50 section of the scheme.

## Maximum pension to be purchased

14. The maximum amount of additional pension that may be purchased by a member is £7,026[1] from 1 April 2019 (increasing in line with Pensions (Increase) Review orders using a PI date of 1 April 2013). There is also a limit of £7,026[1] on the amount of additional pension that can be purchased by the employer under regulation 16 (and regulation 31) of the 2013 Regulations. Administrators should ensure they understand these limits and their interaction.

15. Where a member is paying towards an Additional Regular Contribution (ARC) contract (under regulation 14 of the LGPS (Benefit, Membership and Contributions) Regulations 2007) they are limited to purchasing up to £5,000 worth of extra pension through that ARC. The LGPC Secretariat sought clarification from DCLG (now MHCLG) as to whether a member who is currently paying an ARC contract and who elects to commence an APC or SCAPC contract would have to take into account the existing ARC contract when determining the maximum amount of extra or lost

[1] The maximum amount of additional pension in 2018/19 was £6,822

pension the member can buy through an APC or SCAPC. It has been confirmed that a member paying for an ARC contract would need to take into account this amount when determining the maximum amount of extra or lost pension that member can buy through an APC or SCAPC. The LGPC Secretariat has suggested to DCLG that regulation 15 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 needs an additional paragraph added to state that the £6,500 additional pension limit (as since amended to £7,026 from 1 April 2019) referred to in regulations 16(5) and (6) and 31(1) and (2) of the LGPS Regulations 2013 includes the amount of any ARCs being purchased under regulation 14 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulation 23 of the LGPS (Administration) Regulations 2008. Any such change to the Regulations will, of course, not be made without draft amendment regulations being issued for consultation.

## Buying extra pension

16. A member who is in the main section of the Scheme may choose to buy extra pension. This option is not available to those in the 50/50 section. To buy extra pension the member should first obtain a quote from www.lgpsmember.org or from their administering authority.

17. After getting the quote the member should, using the form provided on www.lgpsmember.org or obtained from their administering authority, submit an application to their administering authority.

18. An employer may choose to contribute in whole or part to the additional extra pension to be purchased. If the employer is meeting the full cost this must be by lump sum and no form needs to be completed by the member. If the employer is meeting part of the cost the employee must obtain in writing the agreement of the employer to the total pension to be purchased and the share of the cost to be met by the employer before making the application. This agreement must accompany the application made to the administering authority.

### Paying regular contributions

19. If the member has chosen to pay by regular contributions (the calculator will prevent members who are one year or less away from their NPA or who are over NPA but under age 75 from selecting this option) the administering authority will notify the member that the application has been accepted except where:

    (a) The administering authority requires a medical to be submitted prior to the acceptance of any application, or
    (b) The administering authority, following consultation with the employer, considers the member's pay history suggests that the amount to be paid each pay period cannot be reasonably deducted from the member's pay, or
    (c) The member has elected for the 50/50 section and is paying reduced contributions, or
    (d) The amount of pension to be purchased and/or the share of contribution to be met by the employer are not the same as that in the written agreement from the employer, or
    (e) The administering authority takes the view that spreading payments would be impracticable and requests that payment is made by lump sum.

The employer should commence deduction of the employee’s additional pension contributions (and/or the employee contributions to a shared cost APC) from the next available pay period after they receive agreement from the administering authority.

20. If (a) above applies, the administering authority should request the required medical report from the member before instructing the employer to commence deductions.

21. In the event of (b) above, the administering authority must, in consultation with the employer and based on the member's pay history, decide whether to allow the member to make regular payment towards buying extra pension.

22. The administering authority must notify the member of their decision under (a) or (b) above, together with the reasons if the decision is to reject the application, within a reasonable period of time. However, if any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the costs of the purchase to change, the member must submit a new application.

23. If (c) above applies, the administering authority should, within a reasonable period of time, inform the member that the application has been rejected and provide the reasons for that rejection.

24. Where (d) above applies, the administering authority should, within a reasonable period of time, inform the member that the application has been rejected, provide the reasons for that rejection and inform the member that they may submit a new application based on the correct information.

25. If (e) above applies, the administering authority should, within a reasonable period of time, notify the member that payment will need to be via lump sum and provide a quote for the cost of buying the lost pension by lump sum in line with the details of the member’s original request.

26. Employees’ regular additional pension contributions, together with the employee and employer contributions to regular shared cost APCs, should be paid over to the administering authority by the employer within the statutory deadlines (or such earlier deadlines as the administering authority may specify).

### Paying by Lump Sum

27. If the member has chosen to pay by lump sum they must also state on the application if they wish the payment to be made directly to the administering authority or via a deduction from the next payroll.

28. If payment is to be made by **direct lump sum** the administering authority should inform the member that the application:

    (a) Has been accepted and request payment, or
    (b) Is subject to a medical check and request the required medical report from the member, or
    (c) Has been rejected and give the reason for that rejection, for example because the amount of pension to be purchased and/or the share of contribution to be met by the employer are not the same as that in the written agreement from the employer.

29. If (b) above applies the administering authority must inform the member of its decision within a reasonable period of the date that the required medical report is received. If the application is accepted the administering authority should request

payment and inform the member to claim any tax relief due on the payment from HMRC via their self-assessment tax return. Please note that tax relief will only be given on contributions up to 100% of a member's UK taxable earnings (or, if greater, £3,600 to a 'tax relief at source' arrangement). If the application is rejected, the administering authority should provide the reasons for that rejection. However, if any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the costs of the purchase to change, the member must submit a new application.

30. Where (c) above applies, the administering authority should, within a reasonable period of time, inform the member and the employer (where the employer is paying a share of the contributions) that the application has been rejected, provide the reasons for that rejection and inform the member that they may submit a new application based on the correct information.

31. Where a member elects to pay for their APC by direct lump sum, they should be made aware that 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 of APCs. This is known as recycling and more information can be found on the HMRC website at [www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm133810](www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm133810).

32. If the lump sum is to be paid by **deduction from pay** then, subject to the following, the administering authority must notify the employer to make that deduction and notify the member that this request has been made. The administering authority will notify the member that the application has been accepted unless:

    (a) The administering authority requires a medical to be submitted prior to the acceptance of any application, or
    (b) The administering authority, following consultation with the employer, considers the member's pay history to be such that the lump sum amount cannot be reasonably deducted from the member's next available pay period or a forthcoming pay period, or
    (c) The amount of pension to be purchased and/or the share of contribution to be met by the employer is not the same as that in the written agreement from the employer.

    The employer should deduct the lump sum from the member's next available pay period after they receive agreement from the administering authority.

33. If (a) above applies, the administering authority should request the required medical report from the member before instructing the employer to make the deduction.

34. If (b) above applies, the administering authority, in consultation with the employer and based on the member's pay history, must have decided that there would not be sufficient pay in the next available pay period or a forthcoming pay period from which the lump sum payment could be deducted.

35. The administering authority must notify the member of their decision under (a) or (b) above, together with the reasons if the decision is to reject the application, within a reasonable period of time. However, if any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the costs of the purchase to change, the member must submit a new application.

36. Where (c) above applies, the administering authority should, within a reasonable period of time, inform the member that the application has been rejected, provide the

reasons for that rejection and inform the member that they may submit a new application based on the correct information.

37. Any lump sum deducted from the employee's pay together with the employer share of any shared cost lump sum APC must be paid over to the administering authority by the employer within the statutory deadline (or such earlier deadline as the administering authority may specify).

### Employer only lump sum

38. If the employer is meeting the full cost of the additional pension to be purchased they can obtain a quote from www.lgpsmember.org or from their administering authority of the lump sum cost for that member.

39. They should then submit the application to the administering authority together with written confirmation of the agreement to purchase that amount of additional pension.

40. The administering authority should inform the employer and the member that the application has been accepted and request payment from the employer.

41. Where the extra pension is bought in full by the employer then there is no requirement for the member to undertake a medical check even where the administering authority has such a policy in place.

42. The employer should pay the lump sum to the administering authority within the deadline specified by the administering authority.

## Buying lost pension

43. A member who is in the main or 50/50 section of the scheme may choose to buy all (not part) of the pension lost due to absence in respect of authorised unpaid leave, trade dispute or unpaid additional child related leave. Buying the entire lost pension will ensure the period relating to the lost pension is included when calculating protections under the Underpin and Rule of 85 and when calculating final pay for benefits relating to pre 1 April 2014 membership. Note that a member in the main section could buy part of the lost pension. However, this would be treated as buying 'extra pension' (see the previous section of this guidance) and the period would not be included when calculating protections under the Underpin or Rule of 85 or when calculating final pay for benefits relating to pre 1 April 2014 membership.

### Requirement to purchase lost pension

44. Members with LGPS membership before 1 April 2014 must purchase the entire lost pension if they wish to meet the requirements of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and maintain full protection for the Underpin and the calculation of Final Pay. In relation to the Rule of 85 where the member has a period of absence with permission on no pensionable pay (otherwise than because of illness or injury, relevant child related leave[2] or reserve forces service leave) the period will not count towards the Rule of 85 unless the member makes an election to purchase the whole of the lost pension.

[2] i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and paid additional maternity or adoption leave (but not unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave).

## Value of pay used to determine amount of lost pension

45. If a member has a period of authorised unpaid leave, unpaid child related leave or a trade dispute and wishes to buy back the lost pension for that period, then the value of the lost pay for that period must first be determined in order to be able to calculate the SCAPC or APC. Requests have been received for clarification over what the value of this lost pay should be.

    Regulations 15(5) and 15(6) of the LGPS Regulations 2013 state:
    *15(5) Subject to paragraph (6), if an active member who is absent from work with permission with no pensionable pay otherwise than because of illness or injury, child-related leave or reserve force service leave, elects to enter into an arrangement to pay additional contributions under regulation 16 (additional pension contributions), the member's Scheme employer must pay contributions under regulation 16(2)(e) or (4)(d) (shared cost additional pension contributions) to meet two thirds of the cost of the arrangement.*

    *(6) The amount that a Scheme employer can be required to pay under paragraph (5) may not exceed the cost of an arrangement which would give rise to additional pension accrual equivalent to that which a member would have accrued if treated as receiving assumed pensionable pay for the period of absence from work up to a maximum period of 36 months.*

    In short, the reference in regulation 15(6) is the only reference to APP in relation to buying lost pension. In particular it's important to note that this reference only relates to the calculation of the employer contributions to a SCAPC in cases of authorised unpaid leave and unpaid child related leave.

    There is no mention of how lost pay is to be calculated when working out the lost pension amount in respect of a trade dispute.

    Given the above, the question arises as to what lost pay figure an employer should provide to a member where that member has a period of:

    a) authorised unpaid leave of absence
    b) unpaid child related leave
    c) absence due to a trade dispute.

    In the case of a) and b) above an employer is required under regulations to pay 2/3rds of the cost of the SCAPC. The SCAPC is calculated by reference to the amount of lost pension which, in turn, is calculated by reference to the value of the assumed pensionable pay. Therefore one would deduce that the member is left to pay the remaining 1/3rd of the cost of the SCAPC using the same formula, even though this is not explicitly stated in scheme regulations.

    In the case of c) as no reference is made in the scheme regulations to the method of determining how the value of lost pay is worked out, an employer must decide the value of the lost pay figure. It is expected that such a figure would be based on the pay the member lost for that day(s) due to the trade dispute.

    Given this differing approach to 'lost' pay in scheme regulations, the LGPC Secretariat has suggested to DCLG (now MHCLG) that the reference to APP in regulation 15(6) should be deleted and replaced with the term 'pensionable remuneration' which is to be calculated in accordance with 'Secretary of State guidance'. DCLG confirmed they would consider this request which could mean that in all cases of buying 'lost' pension the value of the lost pay would be determined by the employer.

Readers of this paper may also which to take note of the content of [Circular 283] 'Absence due to a trade dispute' issued by the LGPC Secretariat in June 2014.

**Leaving the scheme before full payment for the lost pension has been completed**

46. At the LGPC Technical Group meeting held 12 December 2014 a discussion took place about how APC contracts to buy 'lost' pension should be dealt with if the member does not complete payment of the contract. The view taken at that meeting was that if the member does not complete payment of the APC contract it should be treated as a debt. This would mean that the full amount of 'lost' pension the member elected to purchase would be credited to the member's pension account when the member left the scheme and the member would have an outstanding amount of contributions still to pay which would be dealt with as an outstanding debt to the Pension Fund administering authority. However, when this was discussed with DCLG (now MHCLG) they were not keen to introduce a 'debt' provision into the Regulations. The matter was, therefore, referred back to the Technical Group. At their meeting on 5 June 2015 the Technical Group decided that where payment of APCs to purchase 'lost' pension had not been completed the member should be credited with the amount of 'lost' pension they had bought at the date they ceased paying the APCs. For example, if a person had a period of absence of 15 days resulting in 'lost' pension of £17.01 which they were covering by payment of APCs and left having paid £101.45 out of a total of £243.48 they were due to pay, they would be credited with an amount of CARE pension of:

    £17.01 x £101.45 / £243.48 = £7.09.

    Furthermore, if they have any pre 1 April 2014 membership of the LGPS they will, for the purposes of:

    a) the final year's pay calculation,
    b) the underpin, and
    c) the 85 year rule

    be treated as having paid for that proportion of the period of absence they were covering (calculated as the number of days absence x amount of APCs paid / total amount of APCs due to be paid). It was also agreed that:

    a) where the above calculation results in a part day being purchased, the part day will always be rounded up, and
    b) the period purchased will always count from the beginning of the period of absence.

    Using the example above, the period purchased would be:

    15 x 101.45 / 243.48 = 6.25 days

    which would be rounded up to 7 days and the person would be deemed to have bought the first 7 days of the period of absence.

**Employer contribution to cost of lost pension**

47. If the reason for absence was either authorised unpaid leave or unpaid additional child related leave (not trade dispute) and the member makes an election to pay APCs to cover that period within 30 days of returning to work after the end of the absence (or such longer period as the employer may allow) the employer must meet 2/3rds of the cost of the lost pension. This is to be calculated as follows:

    Employer cost = Total cost - Employee cost: where
    Employee cost = (Total cost ÷ 3) rounded up to nearest penny

    If the employee makes an election more than 30 days after returning to work (or such longer period as the employer may allow) the cost of buying back the lost pension falls entirely on the member.

    If the employee elects to pay a SCAPC as a lump sum then the employer contribution is also payable as a lump sum; and if the employee elects to pay a SCAPC via regular contributions, the employer share is also payable via regular contributions.

**Dealing with multiple periods of lost pension in a scheme year**

48. The LGPS Regulations 2013 require that an election to purchase lost pension has to be made within 30 days of return to work (or such longer period as the employer may allow) if the member wishes the employer to contribute 2/3rds of the cost. The employer may wish to allow a longer period where, for example, a member takes several individual days of unpaid leave of absence throughout the Scheme year (1 April to 31 March) e.g. where an employer has introduced a scheme to take additional days of holiday as unpaid leave of absence.

**Requirement for employer to provide pay and section details**

49. To buy lost pension the member should first obtain from their employer a written statement of:

    a) The total value of the lost pensionable pay (see paragraph 45 above for details) during the period of absence,
    b) Where applicable, confirmation that the employer has agreed to extend the period for making an election to beyond 30 days of returning to work,
    c) Confirmation of the section of the scheme the member was in during the period of absence,
    d) It may also be helpful if the employer confirmed to the member the reason for absence and the start and end dates of the period of absence.

    This information should be retained by the member for their records.

50. Employers should provide the above information to members either on request or automatically at the end of the period of absence.

51. Using the above information the member should obtain a quote of the cost of purchasing the lost pension from www.lgpsmember.org or from their administering authority. The quote will use the lost pay and section information to determine the amount of pension which is to be purchased.

52. After getting the quote the member should, using the form provided on www.lgpsmember.org or obtained from their administering authority, submit an application to their employer.

53. The employer should check that they agree the details outlined in the application form and, if 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. The employer should sign and date the form and submit it to the administering authority.

**Paying regular contributions**

54. If the member has chosen to pay by regular contributions (the calculator will prevent members who are one year or less away from their NPA or who are over NPA but under age 75 from selecting this option) the employer should commence deductions from the next available pay period and notify the member that the application has been accepted unless:

    a) The pay and section information in the application does not match that originally supplied by the employer and/or the amount of pension to be purchased and/or the share of contribution to be met by the employer is not the same as that in the written agreement from the employer, or
    b) The employer considers the member's pay history suggests that the amount to be deducted per pay period cannot be reasonably deducted from the member's pay, or
    c) The employer takes the view that spreading payments would be impracticable and request that payment is made by lump sum.

55. If (a) above applies, the employer should, within a reasonable period of time, inform the member that the application has been rejected, provide the reasons for that rejection and inform the member that they may submit a new application based on the correct information.

56. In the event of (b) above, the employer should, within a reasonable period of time, inform the member that the application has been rejected, provide the reasons for that rejection and inform the member that they may submit a new application based on an amount to be paid per pay period that would be reasonable, given their pay history, or that they can submit a new election to pay by lump sum. To assist the member, the employer should provide a quote for the cost of buying the lost pension by lump sum in line with the details of the member's original request.

57. Under (c) the employer should seek agreement from the administering authority that making deductions from payroll would be impracticable. The employer should, within a reasonable period of time, notify the member that payment will need to be via lump sum and provide a quote for the cost of buying the lost pension by lump sum in line with the details of the member's original request.

58. The employee and employer contributions to regular shared cost APCs should be paid over to the administering authority by the employer within the statutory deadlines (or such earlier deadlines as the administering authority may specify).

59. Although the administering authority could ask for a medical report from the member before agreeing to the regular contributions, it is not felt appropriate to do so given that the member is not buying additional pension but, rather, is buying back lost pension.

**Paying by Lump Sum**

60. If the member has chosen to pay by lump sum they must also state on the application if they wish the payment to be made directly to the administering authority or via a deduction from the next payroll.

61. If paying by **direct lump sum**, the employer must issue the authorised, signed form to the administering authority who should check the above information and inform the member of its decision within a reasonable period of the date the information is received. If the application is accepted the administering authority should request payment from the member (and from the employer) and inform the member to claim any tax relief due on the payment from HMRC via their self-assessment tax return. Please note that tax relief will only be given on contributions up to 100% of a member's UK taxable earnings (or, if greater, £3,600 to a 'tax relief at source' arrangement).

62. If the application is rejected the administering authority should provide the reasons for that rejection and if the rejection is because the pay and scheme section information and/or the amount of pension to be purchased and/or the share of contribution to be met by the employer does not match that supplied by the employer, inform the member that they may submit a new application based on the correct information. If any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the costs of the purchase to change, the member must submit a new application.

63. If the lump sum is to be paid by **deduction from pay** the employer should notify the member that the application has been accepted and deduct the payment from the next available pay period unless:

    (a) The pay and section information and/or the amount of pension to be purchased and/or the share of contribution to be met by the employer in the application does not match that originally supplied by the employer, or
    (b) The employer considers the member's pay history to be such that the lump sum amount cannot be reasonably deducted from the member's next available pay period or a forthcoming pay period.

64. If (a) above applies, the employer should, within a reasonable period of time, inform the member that the application has been rejected, provide the reasons for that rejection and inform the member that they may submit a new application based on the correct information. However, if any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the cost of the purchase to change, the member must resubmit their application.

65. If (b) above applies, the employer must, within a reasonable period of time, notify the member of their decision and provide the reasons if the decision is to reject the application. However, if any decision is delayed due to action or inaction by the member and the member passes a birthday which causes the costs of the purchase to change, the member must submit a new application.

66. If the application is accepted the employer should deduct the lump sum from the member's pay. They should send notification of this to the administering authority accordingly, together with a copy of the member's application form.

67. A lump sum deducted from the employee's pay together with the employer share of the shared cost lump sum APC must be paid over to the administering authority by the employer within the statutory deadline (or such earlier deadline as the administering authority may specify).

68. Although the administering authority could ask for a medical report from the member before agreeing to a lump sum shared cost APC, it is not felt appropriate to do so given that the member is not buying additional pension but, rather, is buying back lost pension.

## Allocation of additional pension to active account

69. Where the member is paying by regular contributions then the amount to be credited to the active pension account at the end of each scheme year is as follows (where the Accrued Pension (AP) = Pension Purchased / years of agreement):

    (a) In the first scheme year: a proportion of the annual accrual calculated as AP/number of pay periods in the year x number of pay periods additional pension contributions were paid
    (b) For each complete scheme year of the agreement: the AP
    (c) In the scheme year in which the arrangement ceases for any reason: a proportion of the annual accrual calculated as AP/ number of pay periods in the year x number of pay periods additional pension contributions were paid (but see paragraph below regarding Tier 1 and Tier 2 ill health retirements)

70. If the member is granted Tier 1 or Tier 2 ill health benefits then the arrangement is deemed as paid up and any outstanding pension to be purchased should be added to the active account in the scheme year of the date of retirement.

71. Where the member is paying by lump sum then the total amount of pension purchased should be credited to the active account at the end of the scheme year in which the purchase was made.

**Revaluation of additional pension**

72. The member's total pension account, including any amounts of additional pension bought and credited to their active account under (a) to (c) in paragraph 69, shall be revalued at the end of each scheme year in line with the relevant HM Treasury Order for that year (but subject to an adjustment in the year the member ceases to be an active member to ensure no double indexation).

73. Where the arrangement is to buy lost pension, if the full period of the arrangement has not been completed (also see paragraph 46 above) then the member will not have covered the full lost pension and therefore this additional pension will not count towards calculating protections under the Underpin, Rule of 85 and Final pay.

74. In deferment and once in payment any extra pension or lost pension purchased is increased in line with Pension Increase (Review) Orders.

75. Where a member leaves employment and re-joins the LGPS less than five years later and aggregates their deferred pension account, any extra pension or lost pension would be recalculated as if Treasury Revaluation Orders had applied during the period of deferment (and not Pension Increase (Review) Orders).