

1. Introduction

These Frequently Asked Questions (FAQs) are intended for the use of HR and Payroll sections preparing for the implementation of LGPS 2014. It is based on the LGA Pensions team's understanding of both the LGPS Regulations 2013 and the draft LGPS (Transitional Provisions and Savings) Regulations 2014, and is intended to supplement, and not replace, the information contained in both the HR Guide (located [here](#)) and the Payroll Guide (located [here](#)). The examples provided in each section of these FAQs are for illustration only and do not override any regulatory or statutory requirements.

Wherever possible, we ask that users contact their administering authority with any queries they have regarding the new Scheme before getting in touch with a member of the LGA Pensions team.

PDF Versions

The current and most recent version of the FAQs are available below in PDF format, both clean and with tracked changes. All amended versions are available with tracked changes [here](#).

Version	Date of version	Amendments
Version 1.2 [tracked] Version 1.2 [clean]	11 April 2014	Current web version. Please see within PDF for tracked changes. Q2.6 on movements between contribution rates added. Update made to the answer of Q3.6.
Version 1.1 [tracked] Version 1.1 [clean]	10 March 2014	Please see within PDF for tracked changes. Update made to the answer of Q3.4.

2. Contributions

Q2.1 In practical terms, can you demonstrate what would be the correct way of deducting contributions for a member who received a payment in 2014/15 (under LGPS 2014) which was in respect of a period during 2013/14 (under LGPS 2008)?

Please see the [answer to Q6.4](#).

Q2.2 If a member of the scheme opts out and is eligible for a refund of contributions, who arranges the refund of contributions?

Please see the [answer to Q5.1](#).

Q2.3 In calculating the actual pay to determine the applicable contribution rate for a member, should employers take into account either a) a period of absence during an individual pay period, or b) instances where a member has joined/left part way through the period?

A. No. Where a member joins/ leaves part way through a pay period, this is irrelevant as it is the member's rate of pay that is appropriate in determining the individual contribution rate.

Where a member has a period of absence on reduced or no pay, the reduction to the member's pay during that pay period should be disregarded when determining the individual's contribution rate. Regulation 9(6) of the LGPS Regulations 2013 says:

(6) For the purposes of identifying which is the applicable contribution rate under this regulation and regulation 10, any reduction in pensionable pay which arises as a consequence of any of the following circumstances is to be disregarded—

- (a) the actual or assumed enjoyment by the member of any statutory entitlement during any period away from work;*
- (b) child-related leave;*
- (c) leave of absence with permission;*
- (d) sick leave;*
- (e) leave due to injury;*
- (f) reserve forces service leave; or*
- (g) (absence due to a trade dispute).*

In general, the appropriate contribution rate is to be determined by the employer estimating the annual equivalent of the actual pay to be received in a full Scheme year, and that can be done using whichever is the most appropriate of the options below:

- the annual rate of contractual pay
- the annual rate of contractual pay plus an estimation of non-contractual overtime or hours worked in excess of the contractual hours which might be worked in a full year
- the hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
- the weekly contractual rate multiplied by 52.143
- the weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year

Example 1

Monthly paid employee is contractually paid £24,000 p.a., and the employee works 100% of the time, (i.e. FTE salary = £24,000). The employee is absent for 15 days in April on unpaid leave.

Pensionable Pay **contractually due** in April = £2,000

Pensionable Pay **received** in April = £1,000

The member's actual pay received during the month is £1,000. However, in accordance with regulation 9(6) (as above), the member's period of unpaid leave is disregarded for the purposes of determining his/her contribution rate. In a full Scheme year (without any periods of leave), the member would be expected to earn £24,000 and so the appropriate actual pay for determining the member's contribution rate is £24,000.

Example 2

Monthly paid employee is contractually paid £12,000 p.a., and the employee works 50% of the time, (i.e. FTE salary = £24,000). The employee starts employment on April 16th.

Pensionable Pay **contractually due** in April = £1,000

Pensionable Pay **received** in April = £500

The member's actual pay received during the month is £500. However, the member has only begun his/her employment half way through a working month and, in a full Scheme year, the member would be expected to earn £12,000. Therefore, the appropriate actual pay for determining the member's contribution rate is £12,000.

Please refer to [section 2A of the HR Guide](#) and [section 5.1 of the Payroll Guide](#) for further information on determining the appropriate contribution rate of a member

Q2.4 In determining the contribution rate payable by a member, should employers now include non-contractual overtime in the "pay" used for assessment, where in the pre-2014 system they would have not done so? Is that the only difference between LGPS 2008 and LGPS 2014 methods for determining the contribution rate?

A. Non-contractual overtime (including pay for hours worked in excess of contractual hours, even if these are only paid at plain time) should be included in the 'pay' used for determining a member's contribution rate. The only other difference from the LGPS 2008 method of determining the appropriate contribution rate is that a member's contribution rate is to be determined by reference to their actual pensionable pay, and not their full time equivalent.

Please refer to [section 2A of the HR Guide](#) and [section 5.1 of the Payroll Guide](#) for further information on determining the appropriate contribution rate of a member.

Q2.5 Section 2 of the HR Guide gives a number of alternatives for employers in calculating the appropriate contribution rates to be applied to their members' records. To what extent have these alternatives changed from those available under the pre-2014 Regulations?

A. The five alternatives as described in the Guide for an employer to determine consistently and reasonably what contribution rate to apply to a member's record are as follows:

- The annual rate of contractual pay
- The annual rate of contractual pay plus an estimation of non-contractual overtime or hours worked in excess of the contractual hours which might be worked in a full year
- The hourly contractual rate multiplied by an estimate of the number of hours to be worked in a full year
- The weekly contractual rate multiplied by 52.143
- The weekly contractual rate multiplied by 52.143 plus an estimate of other pensionable payments to be made in a full year

Whilst these options are essentially the same in both the pre-2014 and post-2014 sections, there are differences in the definitions of pensionable pay which need to be given due attention by employers in making their determination of the correct contribution rate to be deducted, namely that the 2014 definition is based on actual pay (not full time equivalent) and includes excess hours and non-contractual overtime where this is payable.

Please refer to [section 2A of the HR Guide](#) and [section 5.1 of the Payroll Guide](#) for further information on determining the appropriate contribution rate of a member.

Q2.6 Are local authority (LA) schools able to make their own decisions as to when to change employee contribution bands?

As well as requiring that a member's appropriate contribution band is reviewed by their employer every 1st April, the LGPS Regulations 2013 give the Scheme employer the power to make changes to members' contribution rates more regularly than this. Regulation 9(3) states:

“Where there is a change in employment, or a material change which affects the member's pensionable pay in the course of a financial year, the Scheme employer may determine that a contribution rate from a different band should be applied and the Scheme employer shall inform the member of the contribution rate applicable and the date from which it is to be applied.”

Schedule 1 of the LGPS Regulations 2013 defines a Scheme employer as “a body listed in Schedule 2 employing an employee who is eligible to be a member and includes an admission body”.

Schedule 2 includes local authorities and Part 4 of Schedule 2 provides that although employees in foundation schools, foundation special schools, foundation trust schools, voluntary aided schools, technical institutes and federated schools are employed by the Governing Body, the Scheme employer is deemed to be the Local Authority.

Staff in community schools, community special schools, maintained nursery schools or voluntary controlled schools are employed by the Local Authority.

Thus, the Local Authority's discretions policy will apply to employees of a community school, a community special school, a maintained nursery school, a voluntary controlled school, a foundation school, a foundation special school, a foundation trust school, a voluntary aided school, a technical institute and a federated school.

A Maintained School is a community school, a community special school, a maintained nursery school, a foundation school, a foundation special school, a foundation trust school, or a voluntary school. Although section 37 of the Education Act 2002 gives all Maintained Schools with a delegated budget the power to go beyond the Local Authority's policies in respect of the dismissal of, or for the purpose of securing the resignation of, any member of the school's staff, it does not give them any power in the setting of an employee's contribution rate to the LGPS. Thus, whilst it is theoretically possible for a Local Authority to have a policy on setting an employee's contribution rate that allows for different methods of assessment dependent on where the employee works (e.g. in a maintained school), such an approach could lead to a challenge from members who are having their contribution rates assessed in different ways, even though they are employees, or deemed for pension purposes to be employees, of the same Local Authority.

We therefore recommend, as set out on page 11 of our [Discretions Policies guide](#), a Local Authority's written policy should set out a uniform approach to the circumstances under which contribution band adjustments will be made for their employees, or deemed employees, throughout the scheme year, and that they communicate this to all relevant parties.

Academies, academy trusts and free schools, which are Scheme employers in their own right, will have the responsibility for determining when to re-assess contribution rates for their own scheme members. Where an academy is part of a multi-academy trust then the Scheme employer is the proprietor of the academy trust so therefore they will formulate the policy for all academies within their trust.

Please refer to sections [2A](#) and [10](#) of the HR Guide for more information on moving members between contribution bands.

3. Assumed Pensionable Pay

Q3.1 Where an employee is only entitled to statutory sick pay (SSP) after three waiting days, does Assumed Pensionable Pay (APP) only take effect from the fourth missed day?

A. No, APP would take effect from the member's first day of sickness. APP is to be applied in circumstances as specified in regulation 21(2) which states that:

(2) The circumstances are that the member—

- (a) is on leave due to sickness or injury and is on reduced contractual pay or no pay;*
- (b) is on child-related leave; or*
- (c) is absent on reserve forces service leave.*

In this situation, where no pay is paid for the first three days, the member has experienced a drop in their pay as a consequence of sickness from the first day of their absence, and therefore APP would need to be added to the cumulative pensionable pay from that point onwards until the member's period of reduced contractual pay or nil pay as a result of sickness or injury ends. Please note that

APP for sickness only applies where there is a reduction in a member's pay because of this sickness. If, in this example, the member begins to receive full occupational sick pay from day four equal to contractual pay, APP would apply for the first three days, but not apply from the fourth day (as, from the fourth day, the member's sick pay would be the same as their normal contractual pay) but would again start to apply from the point at which the person subsequently goes onto reduced contractual pay or no pay.

*In the quoted regulation 21(2), 'child related leave' means ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave. It does not include periods of **unpaid** additional maternity, paternity or adoption leave, and APP is not to be applied for these unpaid periods of leave. If a member has a period of unpaid additional maternity/ paternity/ adoption leave and wishes to buy back the 'lost' pension, this can be done via purchase of an additional pension contribution contract.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

Q3.2 If an employee has a zero hours contract but could be entitled to statutory sick pay (SSP) after a three day waiting period, does Assumed Pensionable Pay (APP) take effect at day 4 or not at all?

A. If the member had pensionable pay in the previous three months (if monthly paid) or previous twelve weeks (if paid on a pay frequency which is other than monthly), he/she would have an APP entitlement, and this ought to be applied to the member's record from the first day of their absence. This is because APP is to be applied in circumstances as specified in regulation 21(2) which states that:

(2) *The circumstances are that the member—*

- (a) *is on leave due to sickness or injury and is on reduced contractual pay or no pay;*
- (b) *is on child-related leave; or*
- (c) *is absent on reserve forces service leave.*

In this situation, where no pay is paid for the first three days, provided the member has been paid for work in the previous three months/ twelve weeks, he/ she will have experienced a drop in their contractual pay as a consequence of sickness from the first day of their absence, and therefore APP would need to be added to the cumulative pensionable pay from that point onwards until the member's period of reduced contractual pay or nil pay as a result of sickness ends. Please note that APP for sickness only applies where there is a reduction in a member's pay because of this sickness. If, in this example, the member begins to receive full occupational sick pay from day four equal to contractual pay, APP would apply for the first three days but would not apply from the fourth day (as, from the fourth day, the member's sick pay would be the same as their normal contractual pay) but would again start to apply from the point at which the person subsequently goes onto reduced contractual pay or no pay.

*In the quoted regulation 21(2), 'child related leave' means ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave. It does not include periods

of **unpaid** additional maternity, paternity or adoption leave, and APP is not to be applied for these unpaid periods of leave. If a member has a period of unpaid additional maternity/ paternity/ adoption leave and wishes to buy back the 'lost' pension, this can be done via purchase of an additional pension contribution contract.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

Q3.3 Where an employee has no entitlement to statutory sick pay (SSP) or occupational sick pay (OSP), what should happen with Assumed Pensionable Pay (APP) if anything?

A. If the member had pensionable pay in the previous three months (if monthly paid) or previous twelve weeks (if paid on a pay frequency which is other than monthly), he/she would have an APP entitlement, and this ought to be applied to the member's record from the first day of their absence. This is because APP is to be applied in circumstances as specified in regulation 21(2) which states that:

(2) The circumstances are that the member—

- (a) is on leave due to sickness or injury and is on reduced contractual pay or no pay;*
- (b) is on child-related leave; or*
- (c) is absent on reserve forces service leave.*

In this situation, provided the member has been paid for work in the previous three months/ twelve weeks, he/ she will have experienced a drop in their pay as a consequence of sickness from the first day of their absence, and therefore APP would need to be added to the cumulative pensionable pay from that point onwards until the member's period of reduced contractual pay or nil pay as a result of sickness ends.

*In the quoted regulation 21(2), 'child related leave' means ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave. It does not include periods of **unpaid** additional maternity, paternity or adoption leave, and APP is not to be applied for these unpaid periods of leave. If a member has a period of unpaid additional maternity/ paternity/ adoption leave and wishes to buy back the 'lost' pension, this can be done via purchase of an additional pension contribution contract.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

Q3.4 Where a member is on reduced pay for a continuous period that covers the year-end date (i.e. 31st March of any given year) twice, is the members' Assumed Pensionable Pay (APP) calculation revalued? How is it revalued?

A. Yes. Regulation 21(6) of the LGPS Regulations 2013 states:

(6) The assumed pensionable pay that a member is treated as receiving is adjusted by the revaluation adjustment on the first day of the second Scheme year which commenced after the first date on which the member is treated as receiving assumed pensionable pay.

For example, if a member had reduced pay as a result of sick leave from 1 October 2014, it would only be from 1 April 2016 that the members' APP would be revalued. Where a figure has 'revaluation adjustment' applied, it means that figure has been revalued in line with that year's Treasury Revaluation Order.

In the example above, 1 April 2016 is the appropriate date for the APP to be revalued from as it is the first day of the 2016/17 Scheme year, which was the second Scheme year to commence after the member's pay was reduced because of his/her sick leave.

Please refer to section 11 of the HR Guide and section 4.2 of the Payroll Guide for more information on APP.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

For further information on revaluing APP, please see the sub-section 'Adjusting the APP figure' and example 9 within [section 4.2 of the Payroll Guide](#).

Q3.5 Where an employee is paid monthly, how would a day's Assumed Pensionable Pay (APP) be extrapolated from the employee's last three months' pensionable pay?

A. In this situation, the employer takes the last three complete months' pensionable pay (including any APP credited in those three months), and multiplies this by four to calculate the annual rate of APP for that member.

In calculating the daily APP from this annual APP, the employer should use whatever method is normally used to calculate one day's pay from an annual rate. For instance, by dividing the total annual APP by the number of working days in a year; or by dividing the total annual APP by the number of calendar days in a year; or by dividing APP by 12 and then by the number of days in the month in which the day's absence occurred; or by dividing APP by 12 and then by the number of working days in the month in which the day's absence occurred; or whatever method the employer normally uses to calculate one day's pay from an annual rate.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

Q3.6 If an employee goes on reduced pay just a few weeks after 1 April 2014 or is on APP from 1 April 2014 and, in calculating Assumed Pensionable Pay (APP), the previous three months/ 12 weeks encompasses a period of time prior to 1st April, do we use the 2014 definition of pensionable pay to calculate APP?

A. In such a scenario it would be the 2008 Scheme definition of pensionable pay that is to be used for those months/weeks in the last 12 weeks / 3 months that fall before 1 April 2014.

The calculation of APP can include pensionable pay prior to 1 April 2014 (i.e. where the 12 weeks / 3 months goes back prior to 1 April 2014). This caters, for example, for members who would be on APP from day one of the 2014 Scheme (because, for example, on 1 April 2014 they are already on reduced contractual pay or no pay due to sickness or injury). If pensionable pay prior to 1 April 2014 is included it is the pensionable pay as defined under the 2008 Scheme that is used (not what it would have been if it had been determined under the definition of pensionable pay in the 2014 Scheme).

For example, if a member who is paid monthly was, on 1 April 2014, on relevant child relates leave which had commenced on 1 October 2013 the APP (applied from 1 April 2014) would be worked out using the pensionable pay (2008 Scheme definition) received in the three previous months, July, August and September 2013.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

Q3.7 How would a day's Assumed Pensionable Pay (APP) be extrapolated for employees paid in any of the following ways?

- **Quarterly;**
- **Half yearly;**
- **Weekly;**
- **Fortnightly;**
- **Every four weeks (lunar cycle)**

A. For any of these payment types, the pensionable pay for the 12 complete weeks immediately prior to the period of leave would be used as the basis for the APP calculations. This is in accordance with regulation 21(4)(b) of the LGPS Regulations 2013, which states that assumed pensionable pay for an employment is calculated by reference to the last 12 weeks' pay 'where the member is paid otherwise than monthly'.

Regulation 21(4)(b) states that this figure should be grossed up to an annual equivalent pay figure and that the annual equivalent is then used to work out the amount of APP for the period of the absence. However, the regulation does not specify how the annual equivalent pay figure is to be determined. In calculating the annual figure, whatever multiplier is used should form the basis for the divisor.

Example 1

If 12 weeks' pay have been grossed up to an annual rate using the formula $52/12$, then the divisor for working out a week's pay would be $\text{annual pay}/52$ (and for a fortnightly paid employee the divisor would be 26, and for a lunar paid employee it would be 13).

Example 2

If 12 weeks' pay have been grossed up to an annual rate using the formula $52.143/12$, then the divisor for working out a week's pay would be $\text{annual pay}/52.143$ (and for a fortnightly paid employee the divisor would be 26.0715, and for a lunar paid employee it would be 13.03575).

Example 3

If 12 weeks' pay have been grossed up to an annual rate using the formula $53/12$ then the divisor for working out a week's pay would then be $\text{annual pay}/53$ (and for a fortnightly paid employee the divisor would be 26.5 and for a lunar paid employee it would be 13.25). Note, however, that using a formula of $53/12$ is **not** recommended as it produces an incorrect outcome when calculating an annualised Assumed Pensionable Pay figure for use in calculating the ill health pension enhancement for an employee retiring with a Tier 1 or Tier 2 ill health pension, or in calculating the lump sum death grant for a member who dies in service in a year with 53 weeks (compared to the figure that would have been calculated if the person had retired or died in a year with 52 weeks).

Whichever of the above three methodologies is adopted, the weekly APP figure should always come out as the same figure as 1/12 of the 12 complete weeks' pensionable pay used for deriving APP.

In calculating the daily APP from this annual APP, the employer should use whatever method is normally used to calculate one day's pay from an annual rate. For instance, by dividing the total annual APP by the number of working days in a year; or by dividing the total annual APP by the number of calendar days in a year; or by dividing APP by the number of pay periods in a year and then by the number of days in the pay period in which the day's absence occurred; or by dividing APP by the number of pay periods in a year and then by the number of working days in the pay period in which the day's absence occurred; or whatever method the employer normally uses to calculate one day's pay from an annual rate.

Please refer to [section 11](#) of the HR Guide and [section 4.2](#) of the Payroll Guide for more information on APP.

For further information on calculating annual APP using 12 complete weeks' pensionable pay, please see the sub-section 'Proportioning' within [section 4.2](#) of the Payroll Guide.

Q3.8 What would you expect to happen if Reserves Forces Service Leave (RFSL) was entered retrospectively, for a period of absence in March 2014, during April 2014? In particular, how would Assumed Pensionable Pay (APP) be calculated to allow the Ministry of Defence (MOD) to deduct the correct contributions on the employer's behalf?

Please see the [answer to Q4.1](#).

Q3.9 In examples 18 and 19 of the Payroll Guide which relate to maternity leave, APP (Assumed Pensionable Pay) is not applied to a member's record for periods of nil pay (see the April row of the table in both examples where both CEC1 (cumulative employee contributions in the main section of the scheme) and CPP1 (cumulative pensionable pay in the main section of the scheme) are 'Nil'). However, in example 11 which relates to sick

leave, APP is added to a member's CPP1 for a period of nil pay. Is this correct? Why are they treated differently?

A. This is correct. APP is to be applied to a member's CPP in the following situations:

- reduced contractual pay or nil pay as a result of sickness or injury;
- reduced or nil pensionable pay during relevant child related leave (i.e. ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave); or
- whilst on reserve forces service leave.

So, in all cases of nil pay for sickness or injury, APP will be required throughout the period. However, periods of maternity/ parental/ adoption leave that go beyond a) ordinary leave, and b) paid additional leave, and which are therefore periods of unpaid additional maternity/ paternity/ adoption leave do not fit within the definition of APP and members do not accrue benefits on these periods. In these situations (for unpaid maternity, paternity or adoption leave, the majority of which occur between 39 and 52 weeks), the member would need to elect within 30 days of returning to work to pay a Shared Cost APC for the period in question if they wished to buy-back the pension 'lost' during that period of unpaid leave, or to pay an APC (at whole cost to the member) if the election is made more than 30 days after returning to work.

Please refer to [section 11 of the HR Guide](#) and [section 4.2 of the Payroll Guide](#) for more information on APP.

4. Absences

Q4.1 What would you expect to happen if Reserves Forces Service Leave (RFSL) was entered retrospectively, for a period of absence in March 2014, during April 2014? In particular, how would Assumed Pensionable Pay (APP) be calculated to allow the Ministry of Defence (MOD) to deduct the correct contributions on the employer's behalf?

A. In this situation, the Regulations in force at the time of the leave itself would be used for the appropriate contributions calculations. So, for a period of reserve forces service leave in March 2014, but paid in April 2014, contributions would be deducted based on the 2008 Regulations, rather than the 2013 Regulations (covering LGPS 2014). The following examples demonstrate a few possible scenarios.

Example 1 - Let's take the example of an employee who is a member of the LGPS and who:

- a. commences reserve forces service leave on 14 March 2014 (**which is notified in time for the March payroll**) and who stayed on reserve forces service leave until at least 30 April 2014
- b. is in the main section of the LGPS 2014 from 1 April 2014
- c. has an annual local government rate of pay from April 2013 of £20,000

- d. has annual reserve forces pay of £19,000
- e. has an employee contribution rate under the 2008 Scheme of 5.9% and an employee contribution rate of 5.8% under the 2014 Scheme
- f. has an employer whose contribution rate pre 1 April 2014 is 19% and whose contribution rate from 1 April 2014 is 20%

Payments made in March 2014

- Basic pay $£20,000 \times \frac{1}{12} \times \frac{13}{31} = £698.92$
- Employee contributions are $£698.92 \times 5.9\% = £41.24$
- Employer contributions are $£698.92 \times 19\% = £132.79$
- Pensionable pay cumulative for 2013/14 is increased by £698.92 (Note that if the member leaves the scheme whilst on reserve forces service leave or within 12 months of return from it, the final pay figure notified by the employer for use in calculating the member's pre April 2014 benefits will be based on the pay the member would have received from the authority had they not been on reserve forces service leave)

As the employee's reserve forces pay is less than the local government pay, the employee is not required to pay any pension contributions for the period 14-31 March 2014. The employee is granted that service in the scheme (and is simply deemed to have paid contributions for it). The MOD would owe employer contributions to the Fund of $£20,000 \times \frac{1}{12} \times \frac{18}{31} \times 19\% = £183.87$.

Payments made in April 2014

- Basic pay £nil
- APP = (Dec 2013 pay of £1666.67 + Jan 2014 pay of £1,666.67 plus Feb 2014 pay of £1,666.67) / 3 = £1,666.67
- The CPP1 (cumulative pensionable pay in the main section) figure is £1,666.67
- Member / MoD to be notified that employee and employer contributions are payable on an APP figure of £20,000 pa (£1,666.67 pm)
- Employee contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 5.8\% = £96.67$
- Employer contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 20\% = £333.33$

Example 2 - Let's take the example of an employee who is a member of the LGPS and who:

- a. commences reserve forces service leave on 14 March 2014 (**which is notified in time for the March payroll**) and who stayed on reserve forces service leave until at least 30 April 2014
- b. is in the main section of the LGPS 2014 from 1 April 2014
- c. has an annual local government rate of pay from April 2013 of £20,000
- d. has a higher annual reserve forces pay i.e. £20,200
- e. has an employee contribution rate under the 2008 Scheme of 5.9% and an employee contribution rate of 5.8% under the 2014 Scheme
- f. has an employer whose contribution rate pre 1 April 2014 is 19% and whose contribution rate from 1 April 2014 is 20%

Payments made in March 2014

- Basic pay $£20,000 \times 1/12 \times 13/31 = £698.92$
- Employee contributions are $£698.92 \times 5.9\% = £41.24$
- Employer contributions are $£698.92 \times 19\% = £132.79$
- Pensionable pay cumulative for 2013/14 is increased by $£698.92$ (Note that if the member leaves the scheme whilst on reserve forces service leave or within 12 months of return from it, the final pay figure notified by the employer for use in calculating the member's pre April 2014 benefits will include the reserve forces pay)

As the employee's reserve forces pay is more than the local government pay, the employee is required to pay pension contributions for the period 14-31 March 2014. The MOD would have to deduct employer contributions of $£20,200 \times 1/12 \times 18/31 \times 5.9\% = £57.67$ and remit these to the Fund together with employer contributions of $£20,200 \times 1/12 \times 18/31 \times 19\% = £185.71$

Payments made in April 2014

- Basic pay £nil
- APP = (Dec 2013 pay of $£1,666.67$ + Jan 2014 pay of $£1,666.67$ plus Feb 2014 pay of $£1,666.67$) / 3 = $£1,666.67$
- The CPP1 figure (cumulative pensionable pay in the main section) is $£1,666.67$
- Member / MoD to be notified that employee and employer contributions are payable on an APP figure of $£20,000$ pa ($£1,666.67$ pm)
- Employee contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 5.8\% = £96.67$
- Employer contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 20\% = £333.33$

Example 3 - Let's take the example of an employee who is a member of the LGPS and who:

- a. commences reserve forces service leave on 14 March 2014 (**which is not notified in time for the March payroll**) and who stayed on reserve forces service leave until at least 30 April 2014
- b. is in the main section of the LGPS 2014 from 1 April 2014
- c. has an annual local government rate of pay from April 2013 of $£20,000$
- d. has an annual reserve forces pay of $£19,000$
- e. has an employee contribution rate under the 2008 Scheme of 5.9% and an employee contribution rate of 5.8% under the 2014 Scheme
- f. has an employer whose contribution rate pre 1 April 2014 is 19% and whose contribution rate from 1 April 2014 is 20%

Payments made in March 2014

- Basic pay $£20,000 \times 1/12 = £1,666.67$
- Employee contributions are $£1,666.67 \times 5.9\% = £98.33$

- Employer contributions are $£1,666.67 \times 19\% = £316.67$
- Pensionable pay cumulative for 2013/14 is increased by £1,666.67 (Note that if the member leaves the scheme whilst on reserve forces service leave or within 12 months of return from it, the final pay figure notified by the employer for use in calculating the member's pre April 2014 benefits will be based on the pay the member would have received from the authority had they not been on reserve forces service leave)

Payments made in April 2014

- Basic pay adjustment $£20,000 \times 1/12 \times 18/31 = -£967.74$
- Employee pension contribution adjustment $£20,000 \times 1/12 \times 18/31 \times 5.9\% = -£57.10$
- Employer pension contribution adjustment $£20,000 \times 1/12 \times 18/31 \times 19\% = -£183.87$
- As the employee's reserve forces pay for the period 14-31 March is less than the local government pay, the employee is not required to pay any pension contributions for the period 14-31 March 2014. The employee is granted that service in the scheme (and is simply deemed to have paid contributions for it). The MOD would owe employer contributions to the Fund of $£20,000 \times 1/12 \times 18/31 \times 19\% = £183.87$
- APP = (Dec 2013 pay of £1666.67 + Jan 2014 pay of £1,666.67 + Feb 2014 pay of £1,666.67) / 3 = £1,666.67
- The CPP1 figure (cumulative pensionable pay in the main section) is £1,666.67
- Member / MoD to be notified that employee and employer contributions are payable on an APP figure of £20,000 pa (£1,666.67 pm)
- Employee contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 5.8\% = £96.67$
- Employer contributions deducted by MoD each month and remitted to the Fund are $£1,666.67 \times 20\% = £333.33$

Please refer to the appropriate sub-sections of sections [6](#) and [11](#) of the HR Guide and of sections [4.1](#) and [4.2](#) of the Payroll Guide for more information on reserve forces service leave under LGPS 2014.

Q4.2 Where employees are provided with the option to buy and sell holiday (leave) entitlement what impact will this arrangement have in the LGPS from April 2014?

A. Where holiday entitlement is sold in return for additional pay, that extra pay will (as in the 2008 Scheme) be non-pensionable, because it is a "payment in consideration of loss of holiday".

Where an employee forgoes pay in return for additional days of holiday this is unpaid authorised leave of absence. In the 2008 Scheme the employer and employee were required to pay their respective contributions on the first 30 days of unpaid authorised leave of absence, with the contributions being based on the amount of remuneration the employee would have received but for the absence. However, in the 2014 Scheme, there is no requirement for contributions to be paid for the first 30 days of unpaid authorised leave of absence. Instead, it is the employee's choice as to whether or not to cover the period of absence for pension purposes. If the employee chooses to do so this will be by

paying an age related Additional Pension Contribution (APC) or shared cost APC (SCAPC)* to cover the amount of pension 'lost' during the period of authorised unpaid leave of absence.

* It will be a SCAPC if the member elects within 30 days of returning from the leave of absence - with the cost of the APC contract split 1/3rd employee and 2/3rds employer. If they elect after the 30 day period the cost of the APC contract will be at full cost to the employee.

It should be noted that an employer might take a different approach to that set out above. Instead of introducing a system whereby an employee forgoes remuneration in return for additional days of holiday, the employer might make a change to the employee's contract of employment whereby the employee is only required to work for, say 360 days a year (in the same way that a term-time employee may contractually only be required to work term-time). In the first approach, if the member is on, say, £20,001 a year and takes 5 days authorised unpaid leave of absence (for which a deduction will be made from pay) the employee contribution rate would be determined on a salary of £20,001 and the employee could purchase the pension 'lost' during those 5 days leave of absence by electing to pay an APC. If the member makes the APC election within 30 days of returning from the absence, it would be a shared cost APC i.e. the employer would compulsorily have to contribute 2/3rds of the cost of that APC.

However, under the second approach, the member's salary would be £19,727 and if the member wanted to purchase the equivalent of the pension that would have been earned for another 5 days works they could do so via an APC. However, this would be at whole cost to the member (unless the employer voluntarily agreed to contribute towards the cost of that APC). Of course, under the second method, regulations 8 to 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 would apply if the member has membership prior to 1 April 2014.

A third approach is where the employer continues to pay the employees in full (so each month's pay would attract full tax, National Insurance and pension contributions) but has the agreement of the employee to deduct a net sum on the deductions side of the payslip (i.e. the net sum the employee would have received for the day's leave after deduction of tax, NI and pension contributions). This overcomes the problem of having, in the first approach, to treat the leave as unpaid leave of absence and means there would be no effect on the employee's pension and no need for them to elect to purchase the period via an APC; and it overcomes the problem in the second approach of reducing the employee's pensionable pay and having to apply regulations 8 to 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 if the member has membership prior to 1 April 2014.

A net deduction can be made provided it is:

- authorised by the employee's contract - provided the employee has been given a written copy of the relevant terms or a written explanation of them before it is made, or
- consented to by the employee in writing before it is made.

Please refer to [section 6.3 of the Payroll Guide](#) for further information on breaks in membership and [section 12 of the HR Guide](#) for further information on buying additional pension.

Q4.3 What impact does the buying of additional leave have on the calculation of final pay for pre 2014 benefits (e.g. using the scenario of pay of £20,000, if the unpaid leave in the

final year was for 2 days and reduced the pay by £110, would the final pay for pre 2014 benefits be £19,890?) Also, how would this work if the member used Additional Pension Contributions (APCs) to cover the amount of 'lost' pension during the absence?

Please see the [answer to Q6.6](#).

Q4.4 An employer has an arrangement where employees have the option to buy up to 12 days additional leave. The cost is deducted in equal instalments throughout the year. The leave can be taken in one lump sum or spread out over the year. How will the APC work to cover the 'lost' pension for these additional unpaid leave days? Would the member have to opt every month to buy back the amount they've lost? Or would it be only after each occasion they actually take leave? And how do you identify if a person is using the unpaid leave they've bought or their standard leave entitlement as it's all just added together?

A. It would appear that the only way this could work is to assume that the extra days of leave bought are taken after the normal leave has been used up. So, if a person has 25 days' annual leave entitlement and buys another 5 days, the person is on paid leave for the first 25 days of annual leave and is then on unpaid leave for the next 5 days. If these 5 days are taken in a single period (i.e. over 5 consecutive days) then the member could elect within 30 days of returning to pay for the amount of pension 'lost' during those 5 days via a SCAPC (and could even elect buy the amount of 'lost' pension more than 30 days after returning, but then it would be an APC met wholly by the member). The amount of pension 'lost' is worked out on the Assumed Pensionable Pay (APP) figure that would have applied during those 5 days of leave (based on the pay received in the 3 monthly pay periods, or 12 weeks for staff paid other than monthly, prior to that in which the leave commences).

If, however, the member takes, for example, each of those 5 days separately, then the member could elect within 30 days of returning from the first of those days to pay for the amount of pension 'lost' during that day via a SCAPC and could elect within 30 days of returning from the second of those days to pay for the amount of pension 'lost' during that second day via a SCAPC, and so on (and, in each case, could even elect buy the amount of 'lost' pension more than 30 days after returning, but then it would be an APC met wholly by the member). The amount of pension 'lost' is worked out on the APP figure that would have applied during that 1 day of leave (based on the pay received in the 3 monthly pay periods, or 12 weeks for staff paid other than monthly, prior to that in which that one day of leave was taken).

Please refer to [section 6.3](#) of the Payroll Guide for further information on breaks in membership and [section 12](#) of the HR Guide for further information on buying additional pension.

5. Leaving the Scheme

Q5.1 If a member of the scheme opts out and is eligible for a refund of contributions, who arranges the refund of contributions?

A. This will vary depending on how long the member has been in the scheme. If the member opts out within three months, he/she is treated as never having been part of the scheme and contributions are to be refunded through payroll. If the member has been in the scheme for three months or more, but opts out within the vesting period of two years, any refund requested by the member should be paid by the administering authority (provided the member is not allowed otherwise debarred from having a refund - for example, because the member already has a deferred benefit or pension in payment from the LGPS in England or Wales).

Please refer to [section 3](#) of the HR Guide for more information on members opting out of the Scheme.

6. Transitional Considerations

Q6.1 If an employee goes on reduced pay just a few weeks after 1 April 2014 and, in calculating Assumed Pensionable Pay (APP), the previous three months/ 12 weeks encompasses a period of time prior to 1st April, do we use the 2014 definition of pensionable pay to calculate APP?

Please see the [answer to Q3.6](#).

Q6.2 What would you expect to happen if Reserves Forces Service Leave (RFSL) was entered retrospectively, for a period of absence in March 2014, during April 2014? In particular, how would Assumed Pensionable Pay (APP) be calculated to allow the Ministry of Defence (MOD) to deduct the correct contributions on the employer's behalf?

Please see the [answer to Q4.1](#).

Q6.3 In determining the contribution rate payable by a member, should employers now include non-contractual overtime in the "pay" used for assessment, where in the pre-2014 system they would have not done so? Is that the only difference between LGPS 2008 and LGPS 2014 in determining the contribution rate?

Please see the [answer to Q2.4](#).

Q6.4 In practical terms, can you demonstrate what would be the correct way of deducting contributions for a member who received a payment in 2014/15 (under LGPS 2014) which was in respect of a period during 2013/14 (under LGPS 2008)?

A. For pay due in relation to a period prior to April 2014 which is paid after March 2014 (e.g. a late timesheet, a backdated pay rise, a backdated regrading, a backdated equal pay claim, etc) the employee contribution rate deducted on that amount of pay should be the rate due under the 2008 Scheme and not the rate due under the 2014 Scheme and should only be deducted on the 2008 definition of pensionable pay. The Transitional Regulations are silent on the employer's rate, and where this differs between the two respective years, it is open to the employer to decide which employer contribution rate to apply.

Example 1 - The following example illustrates the outcome in a case where:

- a. the employee is in the main section of the LGPS 2014 from 1 April 2014
- b. their full-time equivalent (FTE) rate of pay from January 2014 has been £20,000 but they are half-time with actual pay of £10,000
- c. the employee contribution rate under the 2008 Scheme was 5.9% but under the 2014 it is 5.5%
- d. the employer contribution rate pre 1 April 2014 was 19% and the employer contribution rate from 1 April 2014 is 20%
- e. the employee undertook some additional, non-pensionable, hours in March 2014 that are paid in April 2014

Payments made in April 2014

- Basic pay $£10,000 \times 1/12 = £833.33$
- Pay for additional hours worked in March but paid in April = £50.00
- Employee contributions are $£833.33 \times 5.5\% = £45.83$
- No employee (or employer) contributions are payable on the sum of £50.00 as that sum relates to a payment due prior to April 2014 which was non-pensionable under the 2008 Scheme.
- The CPP1 (cumulative pensionable pay in the main section) figure is £833.33
- Employer contributions are $£833.33 \times 20\% = £166.67$

Example 2 - The following example illustrates the outcome in a case where:

- a. the employee is in the main section of the LGPS 2014 from 1 April 2014
- b. their FTE rate of pay from January 2014 has been £20,000 but they are half-time with actual pay of £10,000
- c. the employee contribution rate under the 2008 Scheme was 5.9% but under the 2014 it is 5.5%
- d. the employer contribution rate pre 1 April 2014 was 19% and the employer contribution rate from 1 April 2014 is 20%
- e. the employee undertook some, pensionable, contractual overtime in March 2014 that is paid in April 2014

Payments made in April 2014

- Basic pay £10,000 x 1/12 = £833.33
- Pay for contractual overtime worked in March but paid in April = £50.00
- Employee contributions are £833.33 x 5.5% = £45.83 PLUS £50.00 x 5.9% = £2.95 Total = £48.78
- The CPP1 figure (cumulative pensionable pay in the main section) is £833.33 (as the pensionable £50.00 relates to the pre 2014 scheme)
- Employer contributions are £833.33 x 20% = £166.67 PLUS employer contributions of either 19% or 20% on the £50.00.

Please refer to [section 7 of the Payroll Guide](#) for more information on payments made after April 2014 which relate to a pre-2014 period.

Q6.5 What happens from April 2014 to the existing contracts members have in place to buy additional membership or additional pension benefits in the LGPS?

A. Existing:

- Additional Voluntary Contribution (AVC),
- Shared Cost Additional Voluntary Contribution (SCAVC),
- Additional Regular Contribution (ARC),
- Preston part-time buy-back,
- Added years, and
- Additional Survivor Benefit Contributions (ASBC)

contracts in force immediately prior to 1st April 2014 will continue.

Please note that employee contributions to **AVC/SCAVC contracts** entered into before 1st April 2014 are limited to 50% of the employee's pensionable pay as defined under the 2008 Scheme.

Existing **added years contracts** entered into by members who elected before 1st April 2008 to purchase added years of membership continue in force (unless the member elects to cease the contract). Payments under these contracts are expressed as a percentage of the member's pensionable pay (based on the 2008 Scheme definition of pensionable pay). The contributions should only be deducted on the 2008 Scheme definition of pensionable pay i.e. excluding any pay that is pensionable in the 2014 Scheme but which was not pensionable in the 2008 Scheme – such as non-contractual overtime.

Existing **(Preston) part-time buy-back contracts** continue to be payable and, where any new cases are conceded by the employer, the scheme member can enter into a new contract to buy-back the part-time membership. Payments under these contracts are flat sums payable per pay period (not percentages of pensionable pay).

Existing **ASBC** contracts continue to be paid (unless the employee elects to end the contract). Members who have not entered into an ASBC contract for all or part of their pre 6th April 1988 membership to count for a cohabitee survivor's pension will not be able to enter into a contract to

achieve this after 31st March 2014. Payments under existing ASBC contracts at 31st March 2014 are expressed as a percentage of the member's full time equivalent pensionable pay (2008 Scheme definition of pensionable pay). The contributions should only be deducted on the 2008 Scheme definition of pensionable pay (i.e. excluding any pay that is pensionable in the 2014 Scheme but which was not pensionable in the 2008 Scheme – such as non-contractual overtime).

It should be noted that where members with existing contracts move to the 50/50 section of the Scheme, the contributions payable to these contracts continue as specified and are not reduced to half rate.

Please refer to [section 16 of the HR Guide](#) and [section 6.4 of the Payroll Guide](#) for further information on existing additional pension contracts.

Q6.6 What impact does the buying of additional leave have on the calculation of final pay for pre 2014 benefits (e.g. using the scenario of pay of £20,000, if the unpaid leave in the final year was for 2 days and reduced the pay by £110, would the final pay for pre 2014 benefits be £19,890?) Also, how would this work if the member used Additional Pension Contributions (APCs) to cover the amount of 'lost' pension during the absence?

A. Where the member chooses to buy annual leave and have a reduction in their pay this may affect their final pay for pre 2014 benefits.

If however the member elects to cover the whole amount of pension 'lost' during any period of authorised unpaid leave of absence by way of an APC or SCAPC* contract then the member must be treated as having received the pay they would have otherwise got but for the absence (in this case because of the purchase of annual leave).

Where the member doesn't make such an election then the final pay (if the absence falls in the final pay period) will be the pay received during that final pay period divided by the number of paid days in that period multiplied by 365.

So, for the scenario provided, if the member doesn't enter into an APC or SCAPC contract to cover the additional leave bought, then that member's final pay for the purposes of their pre 2014 benefits would be $£19,890 \times 365/363 = £19,999.59$. However, if the member did elect to enter into an APC or SCAPC contract to cover that period of authorised unpaid absence, the final pay would be £20,000.

Note that if the member is subject to the 85 year rule and does not purchase the amount of pension 'lost' during the leave of absence period that period will not count towards the 85 year rule. Thus, the date the member meets the 85 year rule could be pushed back to a later date.

* It will be a SCAPC if the member elects within 30 days of returning from the leave of absence - with the cost of the APC contract split 1/3rd employee and 2/3rds employer. If they elect after the 30 day period the cost of the APC contract will be at full cost to the employee.

Please refer to [section 6.3 of the Payroll Guide](#) for further information on breaks in membership and [section 12 of the HR Guide](#) for further information on buying additional pension.

Q6.7 What is the statutory underpin? What additional information needs to be provided by employers in respect of members protected by the underpin?

A. Protections are in place for members nearing retirement to ensure that they will get a pension at least equal to that which they would have received in the scheme had it not changed on the 1st April 2014. This is known as the statutory underpin.

The underpin applies to those who:

- were active members on 31st March 2012,
- were within 10 years of their Normal Pension Age (NPA) on 1st April 2012,
- have not (after 31st March 2012) had a continuous break of more than 5 years in membership of a public service pension scheme,
- have not already drawn any benefits from the 2014 Scheme in relation to the employment (e.g. upon flexible retirement),
- have either ceased to be an active member before NPA (2008 Scheme definition) or are still an active member at NPA (2008 Scheme definition) and
- who leave with an immediate entitlement to benefits.

For members covered by the underpin a calculation will be performed at the date they cease to contribute to the Scheme, or at their NPA (2008 Scheme definition) if earlier, to check that the pension they have built up (or, where they were in the 50/50 section of the scheme at any time, the pension they would have built up had they always remained in the main section) is at least equal to that which they would have received had the scheme not changed on 1 April 2014. If it isn't, the difference will be added into their pension account.

For members protected by the underpin, certain additional information has to be provided by the employer to the administering authority, namely:

- changes to contractual hours (or average hours, for variable hours workers) that have occurred during the Scheme year,
- changes to contractual weeks/ days per year (if administering authority prorates these elements for members working less than 52 weeks or 365 days per year) that have occurred during the Scheme year, and
- breaks in membership due to:
 - a trade dispute, or
 - authorised unpaid leave of absence,
 - unpaid additional maternity, paternity or adoption leave, or
 - breaks in membership due to unauthorised unpaid absence.

This information has to be provided because changes in contractual hours or in contractual weeks/days per year, and breaks in membership where the amount of pension 'lost' during the break is not covered by payment of an APC or SCAPC, will impact on the underpin calculation to be performed by the Pension Fund administering authority. Note that breaks in membership due to unauthorised unpaid absence must always be notified to the Pension Fund administering authority.

Details of such changes / breaks during a Scheme year have to be provided to the Pension Fund administering authority:

- at the end of each Scheme year (31st March) prior to the date the member ceases to be an active member of the Scheme or, if earlier, the date the member attains Normal Pension Age (under the 2008 definition of NPA – which for most members is age 65), and
- at the date the member ceases to be an active member of the Scheme or, if earlier, the date the member attains Normal Pension Age (under the 2008 definition of NPA – which for most members is age 65).

Please refer to [section 16 of the HR Guide](#) and [sections 6.1, 6.2 and 6.3 of the Payroll Guide](#) for further information on the statutory underpin.

Q6.8 What pay protections are there under the 2014 Scheme?

A. All members in the Scheme at 31st March/1st April 2014 retain a final salary link for their pre-2014 membership. Where a member brings in a transfer from another public service pension scheme which has a final salary link attached to it, the transfer will purchase pre-2014 membership in the LGPS and will retain a final salary link (even though the member was not actually a member of the LGPS prior to 1 April 2014). The pre-2014 portion of a member's benefits is payable based on that member's Final Pay (as defined under the 2008 Scheme) as at the point they leave active membership of the Scheme.

Furthermore, those members with statutory underpin protections (see the answer to [Q6.7](#), sections [6.1](#), [6.2](#) and [6.3](#) of the Payroll Guide for more information re. the statutory underpin) will have their Final Pay (2008 Scheme definition) used for an underpin calculation at the point they cease active membership of the LGPS or at their Normal Pension Age (2008 Scheme definition), if earlier.

Given the above, employers will still be responsible for providing to administering authorities:

- a. Final Pay (2008 Scheme definition) at each 31st March, and on ceasing membership of the Scheme (i.e. on opting out, or termination of pensionable employment, or attaining age 75), for use in calculating pre 2014 benefits, and
- b. Final Pay at Normal Pension Age (NPA) (2008 Scheme definition – normally age 65) or at the date of cessation of active membership, if earlier, to enable the Pension Fund administering authority to calculate the underpin on the post 31st March 2014 benefits for those members to whom the underpin calculation applies.

For Scheme members with pre-2014 membership who suffer a reduction or restriction in pay, regulations 8 and 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 will continue to apply for the purposes of the Final Pay calculation. This is regardless of whether the reduction or restriction in pay occurs before, on or after 1 April 2014. In addition, any valid certificate of protection issued under the LGPS Regulations 1997 (i.e. where it was issued in respect of a pay cut or pay restriction before 1 April 2008) continue to apply to the calculation of the relevant member's Final Pay for their pre-2014 membership.

Please refer to the [Final Pay sub-section of section 16 of the HR Guide](#) and [section 6.1 of the Payroll Guide](#) for further information on pay protections under LGPS 2014.

7. Buying additional pension

Q7.1 What happens from April 2014 to the existing contracts members have in place to buy additional membership or additional pension benefits in the LGPS?

Please see the [answer to Q6.5](#).

Q7.2 Where employees are provided with the option to buy and sell holiday (leave) entitlement what impact will this arrangement have in the LGPS from April 2014?

Please see the [answer to Q4.2](#).

Q7.3 An employer has an arrangement where employees have the option to buy up to 12 days additional leave. The cost is deducted in equal instalments throughout the year. The leave can be taken in one lump sum or spread out over the year. How will the APC work to cover the 'lost' pension for these additional unpaid leave days? Would the member have to opt every month to buy back the amount they've lost? Or would it be only after each occasion they actually take leave? And how do you identify if a person is using the unpaid leave they've bought or their standard leave entitlement as it's all just added together?

Please see the [answer to Q4.4](#).

8. Salary Sacrifice

Q8.1 What happens to salary sacrifice arrangements under LGPS 2014?

A. HMRC approved salary sacrifice arrangements where an employee gives up remuneration in return for a tax assessable benefit in kind from which income tax liability is then removed will remain pensionable under the 2014 Scheme (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument). The position therefore remains the same as in the 2008 Scheme – see [LGPC Circular 244](#) for more information.

Where holiday entitlement is sold in return for additional remuneration, the extra pay will (as in the 2008 Scheme) be non-pensionable, because it is a “payment in consideration of loss of holidays”. See FAQ [Q4.2](#) under Absences for more information.

Please refer to [section 6A](#) of the HR Guide for further information on salary sacrifice schemes.