



Bedfordshire  
Pension  
Fund

## Periods of absence

and the Local Government Pension Scheme (LGPS)

- a guide for employers

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## Introduction

This guide explains how pension contributions should be deducted and how Assumed Pensionable Pay (APP) is applied if a member of the LGPS is absent from work. It also looks at how members of the scheme can 'buy back' pension lost during periods of approved unpaid leave, unpaid additional child-related leave and industrial action.

The guide is divided into sections by type of absence. If you have any questions about the payment of employer or employee contributions during periods of absence or about the calculation of APP, please email your questions to [pensions@bedford.gov.uk](mailto:pensions@bedford.gov.uk)

## Other resources

The Local Government Association (LGA) has produced bitesize training for employers on the topic of APP. This is available on the [LGPS regulations website](#).

The LGA has also produced HR and payroll guides, both of which have information about absences and APP and can be found on the LGPS regulations website's [Employer Resources page](#).

## Forms

The forms for telling Bedfordshire Pension Fund about LGPS members' absence can be found on the [Forms for Employers](#) page on our website. The forms are:

- AUL1** – Initial notification of authorised unpaid leave
- AUL2** – Notification of authorised unpaid leave (to be sent when the period of unpaid leave has ended)
- CRL1** – Initial notification of child-related leave
- CRL2** – Notification of child-related leave (to be sent when the period of child-related leave has ended)

## Section 1 - Absence due to approved unpaid leave

If an employee who is a member of the Local Government Pension Scheme (LGPS) has a period of absence due to approved unpaid leave, they do not pay pension contributions for the period when they are on unpaid leave and will not build up any pension benefits for that period.

On their return to work, the employee can choose to buy back any pension they lost during the unpaid period.

The employer does not have to pay any pension contributions for the period of unpaid leave unless the employee chooses to buy back the lost pension within 30 days of their return to work (see below).

Employers need to tell Bedfordshire Pension Fund about LGPS members having periods of unpaid leave. The term 'approved unpaid leave' in this section includes career breaks.

### Employee's option to buy back 'lost' pension

On returning to work after a period of approved unpaid leave, the employee can choose to buy back the 'lost' pension for the period of absence, by taking out an Additional Pension Contributions (APC) contract.

The employee can take out a contract to buy the lost pension at any time (as long as they are still paying in to the LGPS), but if they choose to do so within 30 days of their return to work then the employer pays two-thirds of the cost. If the employee chooses to buy the lost pension after the 30-day period has elapsed, the employee pays the full cost (unless the employer chooses to extend the 30-day time limit).

**If an employee has a period of approved unpaid leave their employer must tell them that they have the option to buy back the lost pension and that there is a 30-day time limit if they want the employer to contribute. Employers should provide the contact information of the person within their organisation that the employee should get in touch with if they want to buy the lost pension.**

The maximum approved unpaid leave period for which an employer can be expected to meet two-thirds of the cost is 36 months.

The amount of lost pension is calculated as 1/49<sup>th</sup> of the assumed pensionable pay (APP)<sup>1</sup> for the period of absence, or 1/98<sup>th</sup> of the APP for the period of absence if the member is in the 50/50 section<sup>2</sup> of the LGPS.

### The cost of buying lost pension

The cost of buying lost pension through an APC contract is calculated using a set of factors issued by the Government Actuary's Department (GAD).

An online calculator for working out the cost of buying lost pension is available on the [national LGPS member website](#).

Employees use the calculator to get a quote of how much it will cost to buy lost pension.

In order for the employee to be able to use the calculator, the employer will need to provide them with a statement<sup>3</sup> showing:

- 1) The dates of the period of absence and confirmation that it was due to approved unpaid leave
- 2) The total APP (or 'lost pensionable pay') for the period of absence
- 3) The share of the cost that the employer will pay (i.e. two-thirds if the employee chooses to take out the APC contract within 30 days of their return to work. The employer may wish to include wording to confirm the date by which the application needs to be received in order for the employer to pay two-thirds of the cost)
- 4) The section of the LGPS that the employee was in during their period of absence (either the main section or the 50/50 section)

The employee uses this information when using the online calculator to get a quote for buying the lost pension.

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<sup>1</sup> See Appendix 1

<sup>2</sup> There are two sections to the LGPS, the main and the 50/50 – employees can choose to move into the 50/50 section and pay half the normal pension contributions in return for half the normal pension benefits.

<sup>3</sup> Please contact Bedfordshire Pension Fund if you need a template statement.

Employees can choose to spread the cost by making monthly payments (minimum term 1 year) or can pay in a lump sum.

Once the employee has the quote for the cost of buying back the lost pension, if they want to proceed with the purchase they will need to send the application to their employer so that the APCs can be deducted from their pay. The application form for paying APCs is generated by the online calculator. A copy of the application must also be sent to Bedfordshire Pension Fund.

Alternatively, the employer can use the calculator and get the quote on the employee's behalf and can print an application form, showing the cost, which the employee can sign if they want to proceed.

### Absence due to approved unpaid leave - actions for the employer

- Tell the employee that they have the right to buy back pension lost during the period of absence and that if they elect to buy back the pension within 30 days of their return to work then the employer will pay two-thirds of the cost<sup>4</sup>. If the employee is not told of their right to buy back pension before the period of absence starts then they should be told as soon as possible after their return to work.
- Send form **AUL1** ([see the pension fund website](#)) to Bedfordshire Pension Fund to tell the Fund that the employee is going on a period of unpaid leave.
- If, after returning to work, the employee wants to buy back the lost pension, give them a statement showing the relevant assumed pensionable pay and scheme section details. The employee can then get a quote from the [LGPS member website](#). Alternatively, the employer can get the quote on the member's behalf.
- Send form **AUL2**<sup>5</sup> ([see the pension fund website](#)) to Bedfordshire Pension Fund to tell the Fund that the employee has returned to work. If the employee makes an application to buy back lost pension, employers will need to send a copy of the APC application to the Fund with form **AUL2**, to confirm that the relevant

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<sup>4</sup> This information could be included on the form that the member signs to request the unpaid leave.

<sup>5</sup> If the period of unpaid leave is very short then submitting form AUL2 only is acceptable, rather than sending forms AUL1 and AUL2 in quick succession. If an employer has lots of LGPS members frequently taking short unpaid leave periods, then they can submit this information to Bedfordshire Pension Fund on a spreadsheet – please email [pensions@bedford.gov.uk](mailto:pensions@bedford.gov.uk) if you would like to take up this option.

deductions will be made through payroll (unless the employee has chosen to pay the APCs by lump sum direct to Bedfordshire Pension Fund).

- Pay over employee and employer (if applicable) APC amounts to Bedfordshire Pension Fund with monthly contribution payments.

## Section 2 - Absence due to child-related leave

If an employee who is a member of the LGPS is absent from work due to:

- ordinary maternity leave
- ordinary adoption leave
- paternity leave
- paid shared parental leave
- paid additional maternity or additional adoption leave

the employee will pay pension contributions on any pay received during the period of absence.

Employer contributions should continue to be paid at a level similar to what it was before the child-related leave started (i.e. employer contributions do not reduce even though the employee's pay and contributions do). The employer must therefore calculate an Assumed Pensionable Pay (APP)<sup>6</sup> amount for the period of relevant child-related leave and should pay employer contributions based on the APP amount.

The APP figure that the employer pays contributions on must be included in the cumulative pensionable pay figure for the member that is provided in the annual return submitted to Bedfordshire Pension Fund every April<sup>7</sup>. This is so that the member's pension benefits are not adversely affected.

The employer does not automatically have to pay contributions for the period of **unpaid additional** maternity or adoption leave or unpaid shared parental leave – this is treated as approved unpaid leave of absence. The employer only pays contributions towards this period if the member chooses to buy back their lost pension within 30 days of their return to work – please see [Section 1](#).

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<sup>6</sup> See Appendix 1

<sup>7</sup> More information about the annual return is available on the Bedfordshire Pension Fund website at

[http://www.bedspensionfund.org/employers/pensions\\_forms\\_for\\_employers/annual\\_return.aspx](http://www.bedspensionfund.org/employers/pensions_forms_for_employers/annual_return.aspx)



If the employee is in the 50/50<sup>8</sup> section of the scheme and goes on to no pay during ordinary maternity leave, ordinary adoption leave or paternity leave, the employee must be moved back into the main scheme from the beginning of the next pay period if they are still on nil pay at that time.

**If an employee is not entitled to receive any maternity pay the employer must still calculate an APP figure for the period of ordinary maternity leave (weeks 1 to 26) and must pay employer contributions on the amount of APP they have calculated.**

### Absence due to child-related leave - actions for the employer

- Ensure correct employee and employer pension contribution amounts are being paid over to Bedfordshire Pension Fund.
- Notify the employee that they have the right to buy back pension lost during any **unpaid additional** maternity or adoption leave or unpaid shared parental leave and that if they elect to buy back the pension within 30 days of their return to work then the employer will pay two-thirds of the cost. If the employee is not notified of their right to buy back pension before the period of absence starts then they should be notified as soon as possible after their return to work.
- Send form **CRL1** ([see the pension fund website](#)) to Bedfordshire Pension Fund to notify the Fund that the employee has started a period of child-related leave.
- If, after they return to work, the employee wants to buy back the lost pension for any periods of **unpaid additional** maternity or adoption leave or unpaid shared parental leave, give them a statement (a template is available from the pension fund) showing the relevant pensionable pay and scheme section details which will enable the employee to get a quote from the [LGPS member website](#). The employer may wish to get the quote from the website on the employee's behalf.
- Send form **CRL2** ([see the pension fund website](#)) to Bedfordshire Pension Fund to notify the Fund of the employee's return to work. If the employee makes an application to buy back lost pension, a copy of the application form must be sent with **CRL2**, in order to confirm that the relevant deductions will be made through

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<sup>8</sup> There are two sections to the LGPS, the main and the 50/50 – employees can choose to move into the 50/50 section and pay half the normal pension contributions in return for half the normal pension benefits.

payroll (unless the employee has chosen to pay the APCs by lump sum direct to the Bedfordshire Pension Fund).

- Pay over employee and employer (if applicable) APC amounts to Bedfordshire Pension Fund with monthly contribution payments.
- Ensure that the correct APP amount for the member's period of child-related leave (excluding any period of unpaid additional child-related leave) is included in the cumulative pensionable pay figure reported to Bedfordshire Pension Fund in the annual return.

### Section 3 - Absence due to industrial action

If an employee who is a member of the LGPS is absent from work due to industrial action, they do not pay pension contributions for the period when they are absent.

If an employee is, for example, absent for one day due to industrial action, they will not pay pension contributions for that day and therefore will not build up any pension benefits for that day.

The employer does not have to pay any pension contributions for the period of industrial action<sup>9</sup>.

#### Employee's option to buy back lost pension

On returning to work after a period of industrial action, the employee can choose to buy back the 'lost' pension for the period of absence, by taking out an Additional Pension Contribution (APC) contract.

The employee can take out a contract to buy the lost pension at any time (as long as they are still paying in to the LGPS).

**If an employee is absent due to industrial action, their employer must inform them that they have the option to buy back the lost pension.**

The amount of lost pension is calculated as 1/49<sup>th</sup> of the pensionable pay for the period of absence, or 1/98<sup>th</sup> of the pensionable pay for the period of absence if the member is in the 50/50 section of the LGPS.

The cost of purchasing the lost pension through an APC contract is calculated using a set of factors issued by the Government Actuary's Department (GAD).

An online calculator for working out the cost of buying lost pension is available on the [LGPS member website](#).

Employees use the calculator to get a quote of how much it will cost to buy lost pension.

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<sup>9</sup> The employer can choose to contribute if they want to but for absence due to industrial action there is no requirement for them to do so under the LGPS regulations.

In order for the employee to be able to use the calculator, the employer will need to provide them with a statement (a template is available from the pension fund) showing:

- 1) The dates of the period of absence and confirmation that it was due to industrial action
- 2) The total APP<sup>10</sup> for the period of absence
- 3) The section of the LGPS that the employee was in during their period of absence (either the main section or the 50/50 section)

The employee uses the information provided by the employer to fill in the fields on the online calculator.

Employees can choose to spread the cost by making monthly payments (minimum term 1 year) or can pay in a lump sum. Once the employee has the quote for the cost of buying back the lost pension, if they want to proceed with the purchase they will need to submit an application to their employer so that the APCs can be deducted from their pay.

The application form for paying APCs is generated by the online calculator. A copy of the application must also be sent to Bedfordshire Pension Fund.

Alternatively, the employer can take on the responsibility of using the calculator and getting the quote for the cost of buying lost pension and can then inform the employee of the cost and ask them if they want to proceed.

### **Absence due to industrial action - actions for the employer**

- Notify the employee that they have the right to buy back pension lost during the period of industrial action.
- Tell Bedfordshire Pension Fund which employees were absent due to industrial action<sup>11</sup>.

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<sup>10</sup> See Appendix 1

<sup>11</sup> It is usually the case that more than one employee is absent due to industrial action so if a large number of employees have gone on strike it's acceptable to submit this information to the Pension Fund on a spreadsheet rather than sending a separate notification for each member.

- If, after returning to work, the employee wants to buy back the lost pension, give them a statement showing the lost pensionable pay and scheme section details so the employee can get a quote from the LGPS website. Alternatively, the employer can get a quote on the employee's behalf, and then ask them if they want to go ahead with buying the lost pension.
- If the employee applies to buy back lost pension, you will need to send a copy of their APC application form to Bedfordshire Pension Fund.
- Pay over employee APC amounts to Bedfordshire Pension Fund with monthly contribution payments.

## Section 4 - Absence due to Reserve Forces Service leave

If a member is going on Reserve Forces Leave, the employer calculates an Assumed Pensionable Pay (APP)<sup>12</sup> figure for the period when the member will be on leave. The APP figure must be included in the cumulative pensionable pay figure for the member that is provided in the annual return submitted to Bedfordshire Pension Fund every April<sup>13</sup>. The employer does not pay contributions on the APP figure.

The employer informs the reservist and the Ministry of Defence (via the reservist) of the APP figure and the employee and employer contributions due on that amount. The Ministry of Defence then deducts the employee contributions from the reservist and pays that amount to Bedfordshire Pension Fund, along with the employer contribution amount. The employer should send details to Bedfordshire Pension Fund, including the dates of the employee's period of reserve forces leave, and the agreed pay and contribution amounts.

More detail on Reserve Forces Service leave can be found in section 11 of the HR Guide on the [lgpsregs.org website](http://lgpsregs.org)

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<sup>12</sup> See Appendix 1

<sup>13</sup> More information about the annual return is available on the Bedfordshire Pension Fund website at

[http://www.bedspensionfund.org/employers/pensions\\_forms\\_for\\_employers/annual\\_return.aspx](http://www.bedspensionfund.org/employers/pensions_forms_for_employers/annual_return.aspx)

## Section 5 – Absence due to jury service

If a member of the LGPS is on jury service on no pay this is treated as an authorised unpaid leave of absence and the employee has the option to buy back the pension as they would for any other period of unpaid leave. Please see [section 1](#).

## Section 6 - Absence due to sickness or injury

If an employee who is a member of the LGPS goes into a period of reduced or no pay due to sickness or injury, the employer needs to calculate an Assumed Pensionable Pay (APP) figure for the period when the member is on reduced or no pay<sup>14</sup>. The APP figure (rather than the amount of pay actually received by the employee) must be included in the cumulative pensionable pay figure for the member that is provided in the annual return data submitted to Bedfordshire Pension Fund every April<sup>15</sup>. This is so that the member's pension benefits are not adversely affected by periods of absence due to sickness or injury.

The member only pays pension contributions on the pay that they receive e.g. if they go into a period of no pay then they do not pay pension contributions.

The employer pays pension contributions on the APP figure they have calculated, so, even though the member may be paying reduced or no contributions, the employer should continue 'full' pension contributions, based on the APP figure. **This continues for as long as the member is on reduced or no pay. It is important that employers pay the correct amount of employer contributions to the fund.**

If the employee is in the 50/50<sup>16</sup> section of the scheme and goes into a period of no pay due to sickness, the employee must be moved back into the main scheme from the beginning of the next pay period if they are still on nil pay at that time.

Where an employer has a policy of not paying staff for the first X days of sickness, the employee will need to be moved into the main section if the period of no pay crosses two pay periods.

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<sup>14</sup> See Appendix 1

<sup>15</sup> See note 14

<sup>16</sup> There are two sections to the LGPS, the main and the 50/50 – employees can choose to move into the 50/50 section and pay half the normal pension contributions in return for half the normal pension benefits.

## Absence due to sickness or injury - actions for the employer

- Ensure correct pension employee contributions (based on actual pay received) and employer contributions (based on APP) are being paid over to Bedfordshire Pension Fund.
- Ensure that the correct APP amount for the member's period of reduced or no pay due to sickness or injury is included in the cumulative pensionable pay figure reported to Bedfordshire Pension Fund at the end of the financial year.
- Tell Bedfordshire Pension Fund if an employee who is a member of the scheme goes on to reduced or no pay. This will reduce the number of queries raised during annual return processing.

## Section 7 - Absence due to unauthorised unpaid leave

If a member of the LGPS is absent due to unauthorised unpaid leave, they do not pay pension contributions for the period when they are absent. On their return to work they do not have the option to buy back the pension lost during the period of absence because the absence was not authorised. The employer does not pay any contributions for the period of unauthorised unpaid leave.



## Appendix 1 - Assumed Pensionable Pay

In cases of reduced contractual pay or nil pay:

- as a result of sickness or injury
- during relevant child-related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) and
- whilst on reserve forces service leave (if the employee, although eligible to be in the Armed Forces Pension Scheme during that period, has elected to remain a member of the LGPS)

a member's pension continues to build up as if they were at work receiving their normal pay. The notional pay figure used to represent the member's normal pay is Assumed Pensionable Pay (APP).

The APP, rather than the actual pensionable pay which the member receives during the reduced or nil pay period, must be added to the cumulative pensionable pay and then the total must be reported in the annual return which is sent to Bedfordshire Pension Fund each April. This is so that the member's pension benefits are not adversely affected by their reduced pay.

If a member is absent due to authorised unpaid leave or industrial action then the employer needs to provide the member with the details of the APP for the period of absence so that the member can get a quote for buying back lost pension. Please see the section on **Pensionable Pay for authorised unpaid leave and industrial action**, below. The APP for periods of authorised unpaid leave or industrial action is not added to the cumulative pensionable pay figure.

### Calculation of APP

APP is calculated as an annual rate and then applied to the relevant period as a proportion of that rate.

If an employee is paid monthly, the rate of APP is calculated as the average of the pensionable pay (excluding any lump sums) for three complete pay periods prior to the date the employee dropped to reduced contractual pay or no pay or the date when the relevant child-related leave started.

The average pay figure should then be grossed up to an annual rate and applied to the relevant period as a proportion of that rate.

A basic APP calculator, which may help with the calculation of APP, is available on the [Forms for employers page of the Bedfordshire Pension Fund website](#).

If an employee is paid anything other than monthly (e.g. weekly, fortnightly etc) the rate of APP is calculated as the average of the pensionable pay (not including any lump sum payments) for the 12 complete weeks prior to the date the employee dropped to reduced contractual pay or no pay or the date when the relevant child-related leave started.

### Example

A monthly paid employee goes on to reduced pay due to sickness on 15 July 2021 and returns to work on 1 September 2021. The employee has received the following pensionable pay in the three complete months before the 'relevant event' i.e. the day the reduced pay started:

1. April 2019: £1,400,
2. May 2019: £2,500 (including a £1,000 regular bonus and £100 overtime)
3. June 2019: £1,400.

The calculation of the annual rate of APP is as follows:

$$(\pounds1,400 + \pounds1,500 + \pounds1,400) / 3 * 12 = \pounds17,200$$

If the member is on reduced pay sickness absence for the period 15 July 2021 to 31 August 2021 (1.55 months<sup>17</sup>) then the proportion of APP applied to the period is  $17,200 / 12 * 1.55 = \pounds2221.67$ .

Note that the £1,000 bonus is removed before the averaging and grossing up calculation.

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<sup>17</sup> Employers may have their own way of calculating part months. Please see the LGA payroll guide (link provided below) for more examples proportioning the APP figure.

Employers can choose to include lump sums in the APP calculation if there is a reasonable expectation that a lump sum paid in the last 12 months would have been paid again during the period when APP is being applied.

The LGPS regulations also allow employers to use a higher APP figure if the figure produced by the calculation above is materially lower than the pay the member would normally receive.

For more examples of how to calculate APP, please see section 4.2 of LGA's Payroll Guide on the [lgpsregs.org website](https://www.lgpsregs.org).

### **Pensionable pay for short periods of authorised unpaid leave and industrial action**

In cases of authorised unpaid leave or industrial action, an assumed pensionable pay figure needs to be provided to the employee in order for them to get a quote to buy lost pension. For short periods of absence, the full APP calculation could be a time-consuming task if many employees have unpaid leave days or take part in industrial action. A reasonable approach in these cases would be to calculate the actual pay lost for the unpaid period and to provide this figure to the employee, rather than to apply the full APP calculation. Bedfordshire Pension Fund is happy for employers to take this approach for short periods of unpaid leave and industrial action cases.

For longer periods of unpaid leave e.g. sabbaticals or career breaks, the calculation of APP should be as in the example on page 18.

### **Additional notes on APP**

**Keeping in Touch (KIT) days, Shared Parental Leave In Touch (SPLIT) days and Stringer (annual leave whilst off sick) days** – If an employee's pensionable pay for a KIT, SPLIT or Stringer day is higher than APP, APP does not apply. APP is not recalculated after the KIT, SPLIT or Stringer day. More information and examples can be found in the bitesize training on the [LGPS regulations website](https://www.lgpsregs.org).

**Ill health retirements and deaths in service** - APP will also need to be calculated by the employer in cases of Tier 1 or Tier 2 ill health retirements and deaths in service. More information is available in section 4.2 of the LGA's Payroll Guide on the [lgpsregs.org website](https://www.lgpsregs.org) or you can contact Bedfordshire Pension Fund at [pensions@bedford.gov.uk](mailto:pensions@bedford.gov.uk)

**Reductions in pensionable pay due to unpaid leave or strike** - if the pensionable pay the member received during the three month period prior to the relevant date is

reduced because of an absence with the employer's permission or due to a trade dispute, the reduction should be ignored in the APP calculation.

**Members with final salary benefits (LGPS membership before 1 April 2014)** – the 'final salary' or 'final pay' figure that employers provide to the pension fund in the annual return and when an employee leaves/retires is a full time salary equivalent figure (i.e. what the employee would have been paid if they were working full time in their role) and should not be reduced if the member has been absent from work. The calculation of this figure does not involve APP. Please contact [pensions@bedford.gov.uk](mailto:pensions@bedford.gov.uk) if you need more information on how to calculate a final salary figure for someone who has been absent from work.

**APP for extended periods of absence** – the APP figure is adjusted if the period of absence crosses two 31 March dates e.g. in cases of long-term sickness absence. The annual APP figure is revalued at midnight on the second 31 March. The APP is revalued by the percentage stated in the Treasury Revaluation for that scheme year ending on 31 March. More information is available in [section 4.2 of the LGA's payroll guide](#).