

# Authorised unpaid leave



Taking authorised unpaid leave under the CARE scheme will result in the member accruing less pension in the relevant scheme year. The member has the right to make up the pension shortfall, by electing to buy the amount of 'lost' pension via an APC (see separate factsheet).

It is important that the member knows that their unpaid leave has affected the pension they are accruing and that they have the right to pay additional contributions to make up the value of any pension lost. Some suggested wording/template letter, which you may wish to use when writing to your employees can be found below. Please ensure you keep a record of when the information was sent in case of any future dispute.

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Dear

Local Government Pension Scheme (LGPS) 2014

## **Authorised Unpaid Leave**

You have recently taken a period of authorised unpaid leave. This will affect the amount of pension you will have earned in this current financial year (1 April to 31 March).

### **How your pension is calculated**

Each year you build up a pension based on your pensionable pay. For each scheme year that you are a member, a pension equal to 1/49th of your pensionable pay is accrued.

For example, if you earn £15000 in a year, this is divided by 49 equalling £306.12. This amount is the annual pension earned in this period. The £306.12 is put into your individual pension account, and inflation increases will also be added each year to ensure that your pension keeps up with the cost of living.

## How unpaid leave will affect your pension

If your earnings are reduced in any one year, the pension you accrue will be lower than it otherwise would have been. The loss to your pension will depend on how much pay you have lost. To calculate the loss to your pension, take the total amount of pay lost during your unpaid leave, and divide by 49.

For example, if you have taken two weeks leave, and the amount of lost pay was for example £800, you would have lost £16.32 in annual pension ( $£800 \div 49 = £16.32$ ).

The amount of pay deducted from your salary in respect of your unpaid leave period is £\*\*\*\*\*. The loss to your pension is therefore  $£***** \div 49 = £*****$ .

You now need to decide what to do regarding the loss to your pension. You can:

- Do nothing
- You can buy back the amount of pension you have lost by paying Additional Pension Contributions (APCs). If you elect to do this within 30 days of your return to work your employer will meet 2/3rds of the cost. This is known as Shared Cost Additional Pension Contributions.

If you elect after the 30-day period you would normally need to pay the full cost of the APC, unless your employer chooses to contribute to the cost (this is at their discretion).

Payments would be taken direct from your salary, where they attract tax relief at source, and would be either a one-off payment or payments made over a period of one or more complete years (option to spread payments is not available if you are within a year of your Normal Pension Age).

## Next Steps

If you wish to apply to buy back the lost pension, please follow the link below for additional information, details of the additional cost to you and the relevant application form.

[Buy lost pension calculator: LGPS \(lgpsmember.org\)](https://lgpsmember.org)

Yours sincerely,

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You may wish to write to the member when they return from their leave, or you may wish to write to them at the point when, as an employer, you have agreed to them taking unpaid leave. Some employers may require that the member signs and returns the letter to evidence that they have been given the information. Our suggested procedure is for you to identify those affected in the way that operationally suits you best and then send a letter.

## The LGPS online calculator

The letter explains the position to the member who may, if they wish, follow the link provided to take them to the on-line calculator. The member can use the calculator to establish how much pension they have lost and the cost to them, (considering Shared Cost where applicable).

The information provided is excellent and it includes them acknowledging they have read the terms and conditions. They can then proceed to request to pay for the lost pension. An election form is automatically created for this purpose which can be sent to their administering authority and employer.

Once an election is received, the employer must verify it by checking the amounts are valid and 'Shared Cost' is applicable. Then please notify your payroll of the applicable deduction(s) and forward a copy of the relevant paperwork to us to ensure any additional pension purchased is recorded and added to the members pension account. Please keep a copy for your records.

## Absence due to authorised unpaid leave - Actions for the employer

- Ensure correct employee and employer pension contribution amounts are being paid to East Sussex Pension Fund.
- Notify the employee that they have the right to buy back pension lost during any authorised unpaid leave and that if they elect to buy back the pension within 30 days of their return to work then the employer will pay 2/3rds of the cost.
- Send form LGPS 5B to notify the Fund that the employee has started a period of authorised unpaid leave.

[LGPS 5B - Notification of amendments form \(eastsussexpensionfund.org\)](https://eastsussexpensionfund.org)

Editable version - [LGPS 5B - Notification of amendments form \(eastsussexpensionfund.org\)](https://eastsussexpensionfund.org)

- Send form LGPS 5B again to notify the Fund when the employee returns to work.

## 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.

## 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.

## Absence due to Reserve Forces Service leave

If a member is going on Reserve Forces Leave, the employer calculates an Assumed Pensionable Pay (APP) 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 returns submitted to East Sussex Pension Fund. 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 East Sussex Pension Fund, along with the employer contribution amount.

The employer should send details to East Sussex 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 12 of the HR Guide to the 2014 scheme at:

<https://www.eastsussexpensionfund.org/media/2mpjugx5/hr-guide-to-the-lgps-april-2023.pdf>

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Note: This document should be used as a supplementary guide to the actual regulations, The Local Government Pension Scheme Regulations 2013 (Regulations 11 – 16 and 21), and any other related or overriding legislation.

## Other information

LGPS member website – [If you are away from work](#)

LGPS full scheme guide (page 54) – [Leave of absence and the LGPS](#)

Strike action – [FAQs for employers](#)

## Further support

Email: [employer.engagement@eastsussex.gov.uk](mailto:employer.engagement@eastsussex.gov.uk)

This factsheet is one of a series produced to support employers with processing key tasks.



### **Employer Toolkit...**

Pointing you in the right direction

You can view the full employer toolkit at:

[Employer Toolkit | East Sussex Pension Fund](#)