

Maternity, Adoption, Shared Parental Leave and Statutory Paternity Leave

A Members Guide

This leaflet is intended to advise employees who are members of the LGPS on or after 1st April 2014 of the effects that a period of maternity, adoption, shared parental leave or statutory paternity leave will have upon their LGPS pension. It also covers topics which may be of interest to scheme members in these circumstances.

1.Question: What pension contributions will I pay during my maternity, adoption, shared parental leave or statutory paternity leave?

Answer: During any period of paid maternity, adoption, shared parental leave or statutory paternity leave you will pay pension contributions on the actual pay you receive (e.g. where a person qualifies for occupational maternity pay and intends to return to work, contributions will be deducted on your "9/10ths" pay, your subsequent half pay plus any Statutory Maternity Pay and following the "half pay" period any Statutory Maternity Pay).

2.Question: Will my pension still be accruing at the normal rate during my paid maternity leave?

Answer: You will be credited with pension during your paid maternity leave based upon your "**Assumed Pensionable Pay**". "**Assumed Pensionable Pay**" is the average of your 12 weeks or 3 months normal pensionable earnings prior to going on maternity leave so, more or less, you will still be accruing normal pension during your paid maternity leave.

If you are not entitled to pay, during what would normally be the paid statutory maternity period, you will still be credited with pension based upon your assumed pensionable pay for that period.

3.Question: What happens to my pension accrual when I commence the "unpaid" part of any maternity, shared parental leave or adoption leave?

Answer: No pension will be credited to you during the unpaid part of your leave unless you elect to pay contributions in respect of this period.



4.Question: If I want to pay contributions in respect of my unpaid leave what will the cost be?

Answer: The cost of buying the pension lost during the unpaid part of your leave is determined on an individual basis and calculated using factors supplied by the Secretary of State, your age and your **Assumed Pensionable Pay**. The Pension Section can calculate the cost to you of purchasing this lost pension (see request form at the end of this leaflet) or you can visit the on line calculator at <http://www.lgps2014.org/>. If you elect to purchase the lost pension within 30 days of receiving details of the cost, your employer must meet 2/3rds of the costs for any individual period of absence up to 36 months.

5.Question: How do I arrange to pay the contributions due in respect of my unpaid leave?

Answer: If you wish to pay these additional contributions simply complete and return the form at the end of this leaflet. **Please note that your election to purchase this lost pension must be made within 30 days of receiving details of the cost if you want the employer to meet 2/3rds of the cost.**

6.Question: When must the contributions actually be paid?

Answer: You could pay the cost by lump sum deduction from your pay on return to work or, if you wish to pay the cost in instalments, we would allow you to make payment over a period equal to your unpaid leave (e.g. if your unpaid leave was say 5 months you could pay the contributions due during the first 5 months after your return to work).

The contributions due would be recovered from your pay via the payroll and if you are a tax payer they would normally attract tax relief.

7.Question: Is it worth my while paying these contributions?

Answer: This is something you must decide for yourself; however you may wish to bear in mind the following points:

A. If you do not elect to pay these contributions within 30 days of receiving details of the cost you would **lose** the employer contribution available to help you purchase this pension.

You could purchase additional pension from the scheme at a later date, however you would find that the cost is very much higher, this is because you would be required to meet the whole actuarial cost of the pension yourself i.e. the employer would **not** contribute to the purchase. If you elect to pay the contributions within 30 days of receiving details of the cost the employer **will** pay 2/3rds of the cost of buying the lost pension for any individual period of absence up to 36 months.

B. As a result of career breaks etc. women often build up less pension than men and the service associated with the unpaid maternity leave may be important to you should you wish to retire early e.g., it could affect your entitlement under the rule of 85 (pre 1st October 2006 entrants to the scheme only) see main scheme guide for details.

8.Question: If I do not pay these contributions will this break my service?

Answer: Breaks in service now have no meaning as far as the pension scheme is concerned. If you do not pay contributions in respect of your unpaid leave your pension will simply be less than it might have been.



9.Question: I am reviewing my financial arrangements, is there anything else I should consider?

Answer: Given that having children is a major change in your circumstances you may wish to consider the following:-

A. From day one of scheme membership you are covered for a lump sum payment should you die in service (this is more or less 3 years pensionable pay). A form is available which allows you to nominate who should receive this benefit in the event of your death. If you have not previously made a lump sum nomination you may now wish to consider doing so. If you have previously made a lump sum nomination, you may wish to consider whether or not the terms of your nomination need to be reviewed in the light of your new circumstances.

B. You can increase the death in service lump sum benefit by paying additional voluntary contributions, (AVC's).

IMPORTANT NOTE

During any period of unpaid leave, the additional death cover available from AVC's would lapse, unless you make arrangements to continue to pay for the cost of the cover, this would normally involve you sending a cheque to the Pensions Section to meet the cost of the benefit. If you wish such cover to continue during any period of unpaid leave please contact the Pensions Section to make the necessary arrangements.

10.Question: Will maternity, adoption, shared parental leave or statutory paternity leave break my service for redundancy payment purposes?

Answer: No, such leave does not constitute a break in employment for redundancy payment purposes.

11.Question: What happens if, after the birth of my baby, I return to work in a part-time or job share capacity?

Answer: The Local Government Pension Scheme is well adapted to cope with these circumstances. Put simply, the pension earned during your period full-time employment is protected in your pension account and whilst you are in part-time employment, pension will be credited to you at the appropriate part-time rate i.e. if you are working 60% of the hours of a full-time employee you will, for that period, be earning 60% of their pension.

12.Question: Money might be tight when I return to work. Is it possible to be in the LGPS but pay less into the scheme for a period?

Answer: Yes. From the 1st April 2014 the LGPS has what is known as the 50/50 section. This allows a person to pay 50% less in contributions into the scheme for a period and earn half the pension during that time. This option is however only intended to be temporary and you will be re-enrolled into the full LGPS periodically. This takes place on the employers auto-enrolment date, which happen once every 3 years. When this happens the person could if they so wished make another option to go back into the 50/50 section. Whilst a person is in the 50/50 section they would still be covered for the full lump sum on death in service benefit and any additional pension, which would be credited where a person retires on ill-health grounds or dies in service and widows, widowers, partners or children's pension is due the additional pension would be calculated as if the person were in the full scheme.



13.Question: What happens to my pension rights if I leave work?

Answer: On leaving employment a person who has been a scheme member for 2 years or more has a right to a "CPI index linked" deferred pension. Your pension would be calculated and held in the scheme for payment at retirement age. Your retirement age is normally the same as your State Retirement Age, however you can opt to take your pension benefits from age 55 onwards, but a pension benefit paid before normal retirement age is subject to reductions to take account of the early payment. Each year during which a pension is deferred it will continue to be increased in line with CPI inflation.

It is possible at a future date to transfer the value of your deferred pension to an alternative pension scheme, subject to the scheme being approved by the UK tax authorities. This could again be the LGPS, another public sector pension scheme, a private sector employer's scheme or a personal pension type arrangement, including those that allow "flexible benefits".

Transfers of pension within the public sector can often be on advantageous terms for the scheme member, where the person returns to such employment with a break in public sector employment of less than 5 years. The new scheme may require that you elect to affect such a transfer within 12 months of joining. If you re-join the LGPS with the same or another employer transfer of your deferred pension may be automatic unless, within 12 months of again becoming an LGPS member, you elect to retain your deferred pension and start to earn a separate pension in your new job. It may be advantageous in some circumstances to retain a deferred pension where a person is earning less in pensionable pay (in real terms) in their new job as compared with their old.

If you leave employment and have been a scheme member for less than 2 years it may be possible to elect to take a refund of pension contributions. Any refund would be subject to any necessary tax and national insurance adjustments.



NOTE: It is impossible to cover all the permutations which could affect the pension benefits of an employee in these circumstances. This leaflet was therefore designed to give only general information and nothing in this leaflet can override the statutory provisions of the LGPS and pension rights within the LGPS will always be determined by reference to the relevant legislation governing the scheme. This leaflet does not convey any rights upon the reader or any other person and should not be relied upon. Any employee wishing specific advice on any point should contact the Pensions Section.

Request to be supplied with the cost of purchasing the pension lost during my unpaid period of Maternity/Adoption/Shared Parental/Paternity Leave

Name:(Please Print)

Employer:(Please Print)

Department: National Insurance No:

Signed: Date:

NOTE: Note your employer is only required to pay 2/3rds of the cost of purchasing pension lost during unpaid leave (in respect of the first 36 months) where the person elects to purchase such lost pension **within 30 days of receiving details of the cost involved.**

Please return to:
The Pensions Section, Finance Directorate, Northumberland County Council, County Hall, Morpeth,
Northumberland, NE61 2EF