Employer Guide - How to calculate Final Pay in the LGPS

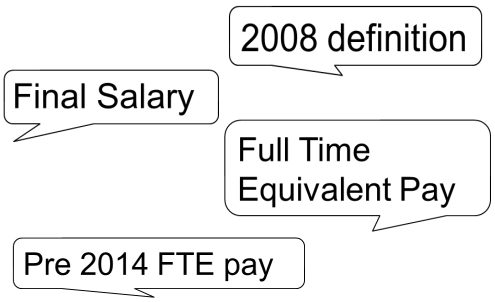
Final Pay is used to calculate member's pension benefits accrued before 1 April 2014 only.

BUT

If they joined your employment after 1 April 2014 will still be needed

Member may have previous Final Salary pension membership transferred in.

Different names for Final Pay



Definition of Final Pay in the 2008 LGPS regulations

4.

(1) An employee's pensionable pay is the total of—

(a) all the salary, wages, fees and other payments paid to him for his own use in respect of his employment; and

(b) any other payment or benefit specified in his contract of employment as being a pensionable emolument.

(2) But an employee's pensionable pay does **not** include—

(a) payments for non-contractual overtime;

(b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;

(c) any payment in consideration of loss of holidays;

(d) any payment in lieu of notice to terminate his contract of employment; or (SI 2009/3150)

(e) any payment as an inducement not to terminate his employment before the payment is made;

(f) any award of compensation (excluding any sum representing arrears of pay) for the purposes of achieving equal pay in relation to other employees

So what is Final Pay?

- ☑ Pensionable pay **due** in the final 365 days of pensionable employment
- ☑ Whole time equivalent used for part time workers
- ☑ Must include pensionable extras, such as contractual overtime
- ☑ Reduction in pay for any sickness absence is ignored
- ☑ Paid maternity leave counts as full membership

Be careful to

- ? Check previous 2 years to see if higher final pay (this is effectively 'best of last three years'). Do not include pensions increases.
- ? Include only what is **due** for the 365 days in question. It might not be what was paid in that period.
- ? Look for any unpaid periods
- ? Check the dates of honorarium and bonus payments to ensure it is due in the last 365 days
- ? Ensure member does not lose out if had period of sickness

Example

Member left 15 July 2018 so the relevant pay period is 16 July 2017 to 15 July 2018

Pay rates in the period (FT equivalent)

- 16 July 2017 to 31 March 2018 £20,000
- 1 April 2018 to 15 July 2018 £21,000

16 / 31 (days in July 17) + 8 / 12 (months) X £20,000 (FTE pay rate) = £14,193.58
15 / 31 (days in July 18) + 3 / 12 (months) X £21,000 (FTE pay rate) = £6,096.77
= £20,290.35 (Final Pay)

Then add any pensionable "extras" to the Final Pay figure.

Please note that if the member hasn't worked for 365 days, you will need to reciprocate the pay figure.

Regulation 10

If member has suffered a restriction or reduction in pensionable pay, either enforced or voluntarily, Regulation 10 may apply. It remains as protection for a period of ten years following the reduction/ restriction. Payroll can go back up to 13 years when looking at pay.

Look at best consecutive three year average in last ten years, always ending on 31st March regardless of leaving date. These three year average figures have Pensions Increase added too and can be included in deciding what figure to use.

Worked example:

Mrs Smith suffered a pay freeze within 10 years prior to her retirement due to an employers decision and elected to have her benefits calculated in accordance with Regulation 10.

How it works

The last 13 years pay are looked at in 3 year 'blocks' and the average is calculated.

Years		**Average pay**
2011 - 2013	=	23,700.00 + Pensions Increases
2010 - 2012	=	23,700.00 + Pensions Increases
2009 - 2011	=	24,300.05 + Pensions Increases
2008 - 2010	=	24,800.04 + Pensions Increases
2007 - 2009	=	25,233.37 + Pensions Increases
2006 - 2008	=	24,933.36 + Pensions Increases
...		

After calculating the 3 year averages and looking at the final pay for the last 3 years, the highest pay figure is £25,233.37 which will be used as the final pay figure for the purpose of calculating the Pension Benefits.

Pensionable pay going back 13 years

Year	Pensionable Pay
2013	23,700
2012	23,700
2011	23,700
2010	23,700
2009	25,500
2008	25,200
2007	25,000
2006	24,600
2005	24,200
2004	23,900
2003	23,700
2002	23,500
2001	23,400

Employers are not required under Regulations to automatically apply Regulation 10, instead the member should apply for this calculation. However many members will not be aware that this is a possibility and they should request this, so we encourage employers to check this and advise us if it applies to any of their employees who leave.

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