Calculating Whole Time Equivalent (WTE) Pay

Why do we need it? Because there are still many scheme members with 'final salary' service (any service to 31.3.2014) where the pension for that service is still based on WTE pay.

Therefore their pension benefits cannot be calculated without the provision of their WTE pay.

WTE pay is:

- Member's contractual pensionable pay in the final 365 days up to their scheme leaving date **as if they had worked full-time and all year round**

- Includes regular contractual pensionable payments, e.g. basic pay, acting allowances, honorarium, shift pay, contractual overtime

WTE Pay excludes:

- All voluntary overtime
- Expenses, subsistence, travelling costs, pay in lieu of notice, redundancy pay, compensation pay

Calculating Whole Time Equivalent (WTE) Pay

Example – member leaves 15 July 2021:

Weekly contractual hours = 15 hours a week and 48.2 weeks a year (including pay for holidays)

Contractual pensionable pay record going back 365 days from their scheme leaving date = £8787.09:

Period	Actual Monthly Pensionable Pay for that period
1 July - 15 July 2021	362.9
Jun-21	750
May-21	750
Apr-21	750
Mar-21	725
Feb-21	725
Jan-21	725
Dec-20	725
Nov-20	725
Oct-20	725
Sep-20	725
Aug-20	725
16 July - 31 July 2020	374.19
TOTAL CONTRACTUAL ANNUAL PAY IN FINAL 365 DAYS	8787.09

WTE Pay Calculation =

£8787.09

x 36 WTE weekly hours

divided by 15 actual weekly hours

x 52.142 WTE weeks a year

divided by 48.2 contractual weeks worked a year

WTE Pay = £22,813.76

See the next slide for calculating WTE Pay for part-year starters and leavers

Calculating WTE Pay for part-year starters and leavers

Example – member started 15 July 2021 and left 3 March 2022, so has less than 365 days in the scheme

Weekly contractual hours = 15 hours a week and 48.2 weeks a year (including pay for holidays)

Contractual pensionable pay record for the days they were employed in that year = £5733.87:

Period	No. of calendar days in period	Actual Monthly Pensionable Pay for that period
1 March - 3 March 2022	3	72.58
Feb-22	28	750
Jan-22	31	750
Dec-21	31	750
Nov-21	30	750
Oct-21	31	750
Sep-21	30	750
Aug-21	31	750
15 July - 31 July 2021	17	411.29
TOTALS	232 days	5733.87

WTE Pay Calculation =

£5733.87

x 36 WTE weekly hours

divided by 15 actual weekly hours

x 52.142 WTE weeks a year

divided by 48.2 contractual weeks worked a year

divided by 232 days actually paid in the period

x 365 days

WTE Pay = £23,420.96

WTE Pay – higher in previous 2 years?

- WTE Pay for one of the **previous 2 years** (on the anniversary of the member's leaving date) can be used if this is higher than the WTE pay in the final 365 days of scheme membership

- **If pay is reduced in the final year** as a result of sickness or child-related absence, WTE pay is the pay that would have been due if the scheme member had not been absent

Assumed Pensionable Pay (APP)

- **Assumed Pensionable Pay (APP)** is a **notional** pensionable pay figure. It applies when a member's contractual pensionable pay is reduced (for example, going on half or nil pay) due to:

  - Parenthood /Maternity absence
  - Sickness
  - Reserve forces leave
  - Death In Service

- Employers/payroll providers must calculate APP when a member goes on reduced pay for one of these reasons.

- The purpose of APP is to ensure that when a member is on reduced pay for one of these reasons, the pension benefits relating to that period of reduced pay are not affected.

- When a member goes on reduced pay, their **employee contributions** are based solely on the actual pay received in that month.

- However, the **employer contributions** are calculated with the **inclusion of the notional APP**. This means that in most cases the employer will continue to pay normal employer's contributions when the employee is on reduced or nil pay.

Calculating Assumed Pensionable Pay (APP)

- Assumed Pensionable Pay (APP) is calculated in a period of reduced pay by taking the **average** of the member's pensionable pay **in the 3 months prior to the reduction of their pay and then adding it to the actual reduced pay, if any.**

- The total is **capped** so that the employee's actual pay + the notional APP cannot exceed the employee's normal contractual pay.

APP example

- The member is on half sick pay from 1 April 2022. Their normal contractual pensionable pay in the month = £2000 but in April they are on half pay of £1000
- APP for the 3 preceding months of normal pay = £6000 paid in total over the 3 months of Jan, Feb and Mar, then divided by 3 months, so APP = £2000
- The APP is then capped to £1000 so that, when added to the employee's actual pay of £1000, it does not exceed normal contractual pay of £2000. **Employee contributions** are calculated on £1000 half pay. **Employer contributions** are calculated on £2000 pensionable pay (£1000 actual + £1000 APP).

Pay period	**April 2022**	**Workings-out**
Employee's actual half pay in the month	£1,000	Half pay
Employee contributions	£55.00	(£1000 actual pay x 5.5% = £55.00)
Employer contributions	£322.00	(£2000 total pensionable pay x 16.1% = £322.00)
Employer contributions calculated as follows:		
(1) Actual Half Pay =	£1,000	
(2) Assumed Pensionable Pay =	£1,000	
Total April Pensionable Pay = (1) + (2)	**£2,000**	
APP calculated as follows:		
(A) Jan 2022 normal pay	£2,000	
(B) Feb 2022 normal pay	£2,000	
(C) Mar 2022 normal pay	£2,000	
Total penable pay over preceding 3 months (A + B + C)	£6,000	(£2000 x 3 months)
Average over 3 months	£2,000	(£6000 divided by 3 months)
APP figure to be used in April 2022's pay	**£1,000**	(£2000 APP minus £1000 received by employee in April)