

LGPS Pensionable Pay



Local Government Pension Scheme

A Guide for Scheme Employers

Issue 4 : January 2022

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Introduction

This guide aims to answer any queries you may have about pay within the Local Government Pension Scheme (LGPS) for Norfolk Pension Fund (NPF).

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For information on which forms to complete and how to notify us please see our Pension Handbook for Scheme Employers (G001)

You can print or download interactive Forms and Guides from our website:
<https://www.norfolkpensionfund.org/about/employers/>

Only Norfolk Pension Fund forms will be accepted.

These notes are based on our understanding of the current legislation and background information, including any guidance from the Department for Levelling Up, Housing and Communities (DLHC) and the Local Government Association (LGA). However, nothing contained in them can override the LGPS legislation.

Pensionable Pay

LGPS benefits are based on pensionable pay. It's therefore important the figures you enter on the termination form have been calculated thoroughly and accurately. **Estimates will not do.**

The definition of pensionable pay is very simply, any pay the member receives. This includes non-contractual overtime or payment for additional hours.

There are payments which do not count as pensionable pay such as payment in consideration of loss of holiday. See the Regulation extract below for the full list.

Benefits are based on the pensionable pay received in a scheme year (1 April to 31 March) and not for the period the pay was due.

This is an extract from the LGPS 2013 Regulations:

Meaning of pensionable pay

20.—(1) Subject to regulation 21 (assumed pensionable pay), an employee's pensionable pay is

the total of—

- (a) all the salary, wages, fees and other payments paid to the employee, and
- (b) any benefit specified in the employee's contract of employment as being a pensionable emolument.

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

- (a) any sum which has not had income tax liability determined on it;
- (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 a contract of employment;
- (e) any payment as an inducement not to terminate employment before the payment is made;
- (f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;
- (g) any payment in consideration of loss of future pensionable payments or benefits;
- (h) any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees;
- (i) any payment made by the Scheme employer to a member on reserve forces service leave;
- (j) returning officer, or acting returning officer fees other than fees paid in respect of—
 - (i) local government elections,
 - (ii) elections for the National Assembly for Wales,
 - (iii) Parliamentary elections, or
 - (iv) European Parliamentary elections.

If you're not sure how to treat any pay item, please [contact us](#).

Full-time Equivalent (FTE) Final Pay

For us to calculate benefits accrued before 1 April 2014 you will need to provide FTE Final Pay on the leaver form when a scheme member leaves and on your i-Connect submission.

FTE Final Pay is the pay the member would have earned in a year ending with the relevant date had they been whole-time and had the 'old definition' of pensionable pay continued (e.g. overtime is non-pensionable).

Example FTE Calculation:

A part-time employee leaves on 30 June 2014.

The contractual hours of employment and salary rates during the last year of service were as follows:-

Effective Date of change:	Actual Hours PT / WT	Part-time salary p.a.
01/07/2013	25.00 / 37.00	£15,175.00
21/09/2013	30.00 / 37.00	£16,448.11
01/02/2014	30.00 / 37.00	£16,598.92
01/04/2014	25.00 / 37.00	£15,704.05

Final Pay 01/07/2013 to 30/06/2014

Dates		Months	Months in year	Part-time salary p.a.	Part-Year P/T FTE
From	To				
01/07/2013	20/09/2013	2 + (20/30)	÷ 12	x £15,175.00	= £3,372.22
21/09/2013	31/01/2014	4 + (10/30)	÷ 12	x £16,448.11	= £5,939.60
01/02/2014	31/03/2014	2	÷ 12	x £16,598.92	= £2,766.49
01/04/2014	30/06/2014	3	÷ 12	x £15,704.05	= £3,926.01
Total					£16,004.32

To make this FTE simply divide each total by the number of hours and multiply by full time hours.

Part-Year P/T FTE	Actual Hours PT / WT	Part-Year FTE
£3,372.22	÷ 25.00 x 37.00	= £4,990.88
£5,939.60	÷ 30.00 x 37.00	= £7,325.51
£2,766.49	÷ 30.00 x 37.00	= £3,412.00
£3,926.01	÷ 25.00 x 37.00	= £5,810.49
£16,004.32		£21,538.88

So **£21,538.88** is the FTE final pay for the last year of service.

Assumed Pensionable Pay (APP)

This replaces the concept of notional or ‘the pay the member would have received’ in cases of reduced or nil contractual pay due to sickness or injury, or reduced pay during relevant child related leave.

In these cases, members should pay contributions on any actual pay received. Employers pay contributions on the value of APP. Pay to be reported (for calculation of pension) is APP rather than actual pay received.

APP does not include unpaid additional maternity, paternity or adoption leave available at the end of relevant child related leave; this is to be treated as unpaid leave of absence and no APP accrues during this period.

If benefits are to be paid on Tier 1 or 2 ill health grounds or death of an active member then APP will be needed to work out the enhancement to benefits.

If you have a member who is going on Reserve Forces Service Leave, please see our **Member Absence Guide (G030)**.

Calculating APP

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

- For monthly paid employees, calculate the average pensionable pay from the previous 3 complete pay periods prior to the relevant date.
- For weekly paid employees, calculate the average pensionable pay from the previous 12 complete pay periods prior to the relevant date.
- APP may be increased at the time of calculation where you, at your sole discretion, decide to add back into the APP any regular lump sum payment made in the last 12 months. You must determine at the point APP commences there is a “reasonable expectation” a regular lump sum payment received in the previous 12 months would be paid again during the period where APP applies.

Any reduction in pay as a result of trade dispute or authorised absence during the 3 month or 12 week period prior to the member going on to reduced contractual pay or no pay as a result of sickness or injury, or child related leave or reserve forces leave should be ignored when using the pay received in that period to calculate the APP.

APP can include pensionable pay prior to 1 April 2014. However, it must be pay defined as pensionable pay under the 2008 regulations and not as determined under the new definition of pensionable pay from the 2013 regulations.

Salary Sacrifice

Annual Leave

Where an employee forgoes remuneration in return for additional days of holiday this, in effect, is authorised unpaid leave of absence.

A member can take out an APC to pay for the pension 'lost'. See our **Member Absence Guide (G030)** for further information about APC's.

As an alternative, instead of introducing a system whereby an employee forgoes remuneration in return for additional days of holiday, you may want to make a change to the employee's contract of employment whereby the employee is only required to work for, say 360 days a year.

If the member wanted to purchase the equivalent of the pension earned for another 5 days work, they could do so via an APC. However, this would be at whole cost to the member (unless the employer voluntarily agreed to contribute towards the cost of that APC).

Under this method, regulations 8 to 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 would apply if the member has membership prior to 1 April 2014 meaning that the final pay used to calculate the member's pre 1st April 2014 pension benefits would be the best one of the last 3 years pay or, if the pay reduction occurred in the 10 years preceding the date of leaving, the average of any 3 consecutive years ending on a 31st March in the last 13 years.

Where holiday entitlement is sold in return for additional remuneration, the additional remuneration is not pensionable as this counts as "payment in consideration of loss of holidays".

Other Salary Sacrifice

HMRC approved salary sacrifice arrangements where an employee gives up remuneration in return for a tax assessable benefit in kind from which income tax liability is then removed remain pensionable under the 2014 Scheme (where the benefit in kind is specified in the employee's contract of employment as being a pensionable emolument). These could include: -

- Childcare – workplace nursery provision
- Childcare vouchers
- Green schemes – provision of a cycle or cyclist's safety equipment
- Green schemes – support for public bus service
- Mobile phones
- Workplace parking
- Shared Cost AVC

Payslip Examples

These examples have been produced to illustrate the effects of LGPS 2014 and subsequent changes to an employee's circumstances.

Whilst every care has been taken in preparing these illustrations, nothing can over-ride the requirements of the relevant legislation.

Oct-13				
Salary	£1,000.00	LGPS Ees	6.50%	£65.00
Overtime	£50.00	LGPS Ers	13.00%	£130.00
£1,050.00				

Description

Contract 18.50 hrs per week. FT = 37.00 hrs per week.
FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	18.50	n/a	n/a	n/a	n/a

Nov-13				
Salary	£2,000.00	LGPS Ees	6.50%	£130.00
Overtime	£100.00	LGPS Ers	13.00%	£260.00
£2,100.00				

Description

Increased to FT from 1-Nov-2013
FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	37.00	n/a	n/a	n/a	n/a

Dec-13				
Salary	£2,000.00	LGPS Ees	6.50%	£130.00
Overtime	£100.00	LGPS Ers	13.00%	£260.00
	£2,100.00			

Description

FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	37.00	n/a	n/a	n/a	n/a

Jan-14				
Salary	£2,000.00	LGPS Ees	6.50%	£130.00
Overtime	£0.00	LGPS Ers	13.00%	£260.00
	£2,000.00			

Description

FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	37.00	n/a	n/a	n/a	n/a

Feb-14				
Salary	£2,000.00	LGPS Ees	6.50%	£130.00
Overtime	£0.00	LGPS Ers	13.00%	£260.00
	£2,000.00			

Description

FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	37.00	n/a	n/a	n/a	n/a

Mar-14				
Salary	£1,000.00	LGPS Ees	6.50%	£65.00
Overtime	£0.00	LGPS Ers	13.00%	£130.00
	£1,000.00			

Description

Contract 18.50 hrs per week from 1-Mar-2013
 FT = 37.00 hrs per week. FT Salary £24,000

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	18.50	n/a	n/a	n/a	n/a

LGPS 2014 starts

Apr-14				
Salary	£1,000.00	LGPS Ees	5.50%	£55.00
Overtime	£50.00	LGPS Ers	13.25%	£132.50
	£1,050.00			

Description

Ees rate assessed on actual pay = £12,000. FT pay £24,000
Overtime relates to March 2014 so not included in New Scheme Pensionable Pay

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	18.50	£1,000.00	£0.00	£1,333.33	£15,999.96

May-14				
Salary	£1,000.00	LGPS Ees	5.50%	£57.75
Overtime	£50.00	LGPS Ers	13.25%	£139.13
	£1,050.00			

Description

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,000.00	18.50	£1,050.00	£0.00	£1,016.67	£12,200.04

Jun-14				
Salary	£1,000.00	LGPS Ees	5.50%	£57.75
Overtime	£50.00	LGPS Ers	13.25%	£139.13
	£1,050.00			

Description

FTE	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
Final Pay (pre 2014 definition)					
£2,000.00	18.50	£1,050.00	£0.00	£1,033.33	£12,396.96

Jul-14				
Salary	£1,008.33	LGPS Ees	5.50%	£58.48
Overtime	£55.00	LGPS Ers	13.25%	£140.89
	£1,063.33			

Description

Pay Award from 1-Jul-2014
New actual pay £12,100. FT pay £24,200

FTE	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
Final Pay (pre 2014 definition)					
£2,016.67	18.50	£1,063.33	£0.00	£1,054.44	£12,653.28

Aug-14				
Salary	£1,008.33	LGPS Ees	2.75%	£29.24
Overtime	£55.00	LGPS Ers	13.25%	£140.89
	£1,063.33			

Description

Member Opts for 50/50 section on 25-Jul-2014
Option effective 1-Aug-2014

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	18.50	£0.00	£1,063.33	£1,058.89	£12,706.68

Sep-14				
Salary	£1,008.33	LGPS Ees	2.75%	£29.24
Overtime	£55.00	LGPS Ers	13.25%	£140.89
	£1,063.33			

Description

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	18.50	£0.00	£1,063.33	£1,063.33	£12,759.96

Oct-14				
Salary/Half/No pay	£504.17	LGPS Ees	2.75%	£15.38
Overtime	£55.00	LGPS Ers	13.25%	£140.89
	£559.17			

Description

Sick half pay then no pay part way through month.
Ees conts on actual pay. Ers conts based on APP.
Pensionable Pay = APP from date of half-pay.

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (carried forward from previous month as lost pay this month)	Annual APP
£2,016.67	18.50	£0.00	£1,063.33	£1,063.33	£12,759.96

Nov-14				
Sick No pay	£0.00	LGPS Ees	5.50%	£3.03
Overtime	£55.00	LGPS Ers	13.25%	£140.89
	£55.00			

Description

Sick no pay during prev month. Therefore 50/50
option ceases.
Ers conts based on APP. Pensionable Pay = APP

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	18.50	£1,063.33	£0.00	£1,063.33	£12,759.96

Dec-14				
Salary	£2,016.67	LGPS Ees	6.50%	£131.08
Overtime	£0.00	LGPS Ers	13.25%	£267.21
	£2,016.67			

Description

Goes FT from 1-Dec-2014. FT pay £24200

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,016.67	£0.00	£1,381.11	£16,573.32

Jan-15				
Salary	£2,016.67	LGPS Ees	6.50%	£131.08
Overtime	£0.00	LGPS Ers	13.25%	£267.21
	£2,016.67			

Description

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,016.67	£0.00	£1,698.89	£20,386.68

Feb-15				
Salary	£2,016.67	LGPS Ees	6.50%	£131.08
Overtime	£0.00	LGPS Ers	13.25%	£267.21
	£2,016.67			

Description

FTE					
Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,016.67	£0.00	£2,016.67	£24,200.04

Mar-15				
Salary	£2,016.67	LGPS Ees	6.50%	£163.58
Honoraria	£500.00	LGPS Ers	13.25%	£333.46
	£2,516.67			

Description

Honoraria relates to Apr 2014 - March2015

FTE					
Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,516.67	£0.00	£2,058.34	£24,700.08

YEAR END 2014/15	
Total Ees	£878.06
Total Ers	£2,252.80
Total Actual pay	£15,520.84

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with 31-Mar)	Annual APP
£24,150.03	24.67	£13,793.34	£3,189.99	£2,058.34	£24,700.08
Total Pensionable Pay		£16,983.33	(main section plus 50/50 section)		

Apr-15				
Salary	£2,016.67	LGPS Ees	6.50%	£134.33
Overtime	£50.00	LGPS Ers	13.50%	£279.00
	£2,066.67			

Description

New year - reassess ees cont band
Ers cont rate changes (notified by NPF)

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,066.67	£0.00	£2,061.12	£24,733.44

May-15				
Salary	£2,016.67	LGPS Ees	6.50%	£134.33
Overtime	£50.00	LGPS Ers	13.50%	£279.00
	£2,066.67			

Description

FTE Final Pay (pre 2014 definition)	Ave Pens Hrs (pre 2014 definition) per week	New Scheme Pensionable Pay - Main Section	New Scheme Pensionable Pay - 50/50 Section	APP (3month average ending with current month)	Annual APP
£2,016.67	37.00	£2,066.67	£0.00	£2,063.89	£24,766.68

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