

Assumed Pensionable Pay and the Leaver Form

October 2024

Assumed Pensionable Pay -

- What is it
- Why does it matter?
- How do I calculate it?
- How do I report it?

The Leaver Form -

What is required?

Pay elements?

Support and Guidance

What is Assumed Pensionable Pay (APP)

- Notional pensionable pay
- Replaces actual pay if a member is -
 - On reduced pay or no pay due to sickness
 - Reduced or nil pay due to RELEVANT child-related leave
 - Reserved Forces Service Leave



When is APP not required?

- For any period of unpaid additional maternity leave, paternity, adoption leave
- For any period of unpaid authorised absence
- If the member has a period of authorised unpaid leave of absence due to industrial action
- Member can pay APCs for the above, so you may be asked for the “lost pay”
- Any unauthorised absence

Why is it important?

- CARE Scheme - Benefits are accrued on a yearly basis, so we need to get it right.
- FINAL SALARY - Was all about the end.

How it works: CARE Pension Account

Year 1	$\text{£}20,000/49$	=	£ 408.16
Year 2	$\text{£}20,800/49 = \text{£}424.49 + (\text{£ } 408.16 \times 1.2\%)$	=	£ 837.55
Year 3	$\text{£}21,632/49 = \text{£}441.47 + (\text{£ } 837.55 \times -0.1\%)$	=	£1,278.18
Year 4	$\text{£}22,497/49 = \text{£}459.12 + (\text{£}1,278.18 \times 1\%)$	=	£1,750.08
Year 5	$\text{£}23,397/49 = \text{£}477.49 + (\text{£}1,750.08 \times 3\%)$	=	£2,280.07

What happens if we miss the APP?

Year 1	$\text{£}15,100/49$	=	£ 308.16
Year 2	$\text{£}20,800/49 = \text{£}424.49 + (\text{£ } 308.16 \times 1.2\%)$	=	£ 736.35
Year 3	$\text{£}21,632/49 = \text{£}441.47 + (\text{£ } 736.35 \times -0.1\%)$	=	£1,177.09
Year 4	$\text{£}22,497/49 = \text{£}459.12 + (\text{£}1,177.09 \times 1\%)$	=	£1,647.98
Year 5	$\text{£}23,397/49 = \text{£}477.49 + (\text{£}1,647.98 \times 3\%)$	=	£2,174.91

- CARE pay understated by £4,900 in Year 1
- Makes £100 difference to pension in that year

Future Inflation Proofing

- Member missed APP in 2014/15 (at age 30) and lost £100 pension build up
- They retire at 68 in 2053
- Difference is 38 years
- Past inflation proofing for period of 38 years = 532%
- Difference at retirement - £532.00 per annum for the rest of that person's life
- If the member survives until age 85 (average life-expectancy), this works out as £9,044 total loss over 17 years pension is being paid ($532 \times 17 = 9,044$)
- Plus pension is then increased on retirement, so could miss a further 58% at death

APP - the calculation

- Calculated at an annual rate
 - Applied during the relevant period as a proportion

There are 3 ways of calculating the annual APP value:

- For non-monthly paid staff i.e. casuals:
 - Calculate average of actual Pay received in last 12 weeks
 - removing any "lump sums"
 - Gross up to a year (e.g. $52.143/12$ or $365/84$)
 - If < 12 weeks exist, use whatever available
- For monthly paid staff:
 - Same principle but 3 months rather than 12 weeks

APP - the calculation (continued)

- The easiest way is to look back over the last 12 months, although this can only be done if it gives a more representative value
- This “simplicity” may lose a little “accuracy” but is easily programmable

APP - one example

- Monthly paid employee goes onto half-pay sick during Month 4 i.e. July
- Actual Pay in Month 1 = £1400
- Actual Pay in Month 2 = £2500 (including £1k bonus, £100 O/T)
- Actual Pay in Month 3 = £1400
- Assumed PP is:
$$(\text{£}1400 + \text{£}1500 + \text{£}1400) / 3 * 12 = \text{£}17200$$
- **The £1000 is excluded for good reason!**
- However, if you consider there's a reasonable expectation that any "lump sum" paid in the last 12 months would have been paid during the period when APP applies -You have discretion to include it but you need to explain to us why - as we will ask!

Adjusting APP

- One circumstance where APP is later increased
 - Where APP continues past two 31st March
(e.g. long-term sickness)
- Increased on account of inflation
(using Treasury Order)
- Will be increased in future years too if APP still applies

50/50 and APP

- Two triggers for moving back to “main”
 - Going onto no pay
- Moved to main section on first day of next pay period
 - Assuming they’re still on no pay then of course
- Say someone (monthly paid) drops from half pay sick to no pay sick in the middle of August
- They will move into the main scheme from 1 September
- APP as a value will not change but
 - In August APP/12 drops into 50/50 CPP
 - In September, APP/12 drops into Main CPP

APP - Deaths and Ill Health

- Pension Services use APP to calculate benefits for Deaths and Ill Health
- **Has there been a reduction in contractual hours during the relevant pay periods wholly or partly because of a condition that caused or contributed to the Ill-Health retirement?**
- If the Independent Registered Medical Practitioner (IRMP) certifies YES to this question, then the APP figure is to be calculated on the pay the member would have received during this time – treated as if they had not been working reduced contractual hours.

Quick Question

How many people in your organisation are on Maternity Leave / long term sickness absence right now?

How Do I report APP?

- Year End Report
- i-Connect
- Termination Form

Year End Report

- Ensure that the APP reports back to the CARE pay column on report if required

This should be included in pensionable pay and the main and/or 50/50 section cumulative pay.

Termination form

If the member was on
*relevant leave in last 2
Financial Years then this can
be reported on the leaver
form.

Leaver Forms

[Staffordshire Pension Fund - Home \(staffspf.org.uk\)](http://staffspf.org.uk)

[Staffordshire Pension Fund - All Employers \(Except Staffordshire CC\) \(staffspf.org.uk\)](http://staffspf.org.uk)

Final Salary Scheme Pay for pension purposes is "all the pay...declared for tax" except

- Non-Contractual Overtime
- Travelling/Subsistence
- Bought-out holiday entitlement
- Payment in lieu of Notice
- "Please don't leave" payments
- Lease Cars / Cash Equivalent
- Equal Pay Compensation
- Certain returning officer fees
- Environment Agency / LSC "contribution" supplements
- New Towns termination payments
- School Achievement Awards

CARE Scheme Pay for pension purposes is “all the pay...declared for tax” except

- Travelling/Subsistence
- Bought-out holiday entitlement
- Payment in lieu of Notice
- “Please don’t leave” payments
- Lease Cars / Cash Equivalent
- Payment in consideration of loss of future pensionable payments
- Equal Pay Compensation
- Pay to those on reserved forces service leave
- Certain returning officer fees
- Environment Agency / LSC “contribution” supplements

Issues with arrears of pay

- **Final Salary** – pay due for a period, not pay received in a period
- **CARE** – pay received in a period, not pay due for a period

Benefit Regulation Ten

- Best of Pays

- Reduction in WTE pay during continuous period of employment
 - but not as a result of ceasing a temporary post
 - or flexible retirement
- Will require the pay information from you in order to calculate best year

Resources to help

- Staffordshire Pension Fund have their own Pay and Absence guides available on the Employer section of the website
- LGA Payroll Guide - this has a breakdown of the system requirements for reporting APP etc.

<http://www.lgpsregs.org/resources/guidesetc.php>

And Finally.....

