

'ASSUMED PENSIONABLE PAY'

As an employer, you must apply the regulations.

There are HR and Payroll guides to help

<http://www.lgpsregs.org/index.php/guides/hr-guide-to-the-2014-scheme>

The following example, is to explain how to report to OCCPF when you use APP - in the case of reduction to pay due to sickness or injury, and it follows Fred. APP is to maintain the value of Fred's pension when id pay is reducing or stopping altogether.

Regulation 14(1) and (2) cover this and the employer contribution is picked up in Regulation 15(2) and 67(4)(b). And APP – assumed pensionable pay is Regulation 21

(link to the timeline regulations <http://www.lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014>)

Some basic Fred information

He works full time: 2015 Annual rate of pay is £25,000

Fred and his team each regularly get a bonus in October. The bonus for 2015 was decided in April to be £3000 each in October.

He is in the main scheme – full standard contributions

His contribution rate set in April is 6.5% of 'pensionable pay', based on annual pay and bonus = £28,000

His employer's rate is 16% of 'pensionable pay'

September 2015

Fred's is on certificated sick leave.

His sick pay reduces to half rate from 16 September, but he received full rate for the first 15 days in September.

His pensionable pay for September month is £1562.50 but this is **not** his 'CARE pay'

$15/30 \times £25000/12 = 1041.67$ (full pay)

$15/30 \times £12,500/12 = 520.83$ (half pay)

He pays contributions into the main section of the scheme on all his pensionable pay.

Fred's contribution in September is $1562.50 \times 6.5\% = \mathbf{£101.56}$

He is away sick with half pay for half of September

Fred pays his contributions on whatever contractual full pay and/or half pay he receives.

His employer must work out the value for his 'assumed pensionable pay' APP because Fred's pay is reduced from 16 September - on half pay

APP (**Regulation 21**) for Fred will be based on the average from August, July, June - Fred's pay at the full rate for the 3 months before there was a reduction to his pay - and there was no overtime. $3 \times 2083.33 = 6250.00$

His employer now adds in the bonus value to assess the annual rate, in line with their policy.

Their pension policy statement covers this point.

Annual rate for his **ASSUMED PENSIONABLE PAY** is $\pounds 6250 \times 4 + 3000 = \pounds 28,000.00$

ACTIONS The employer writes to Fred to tell him how they have assessed the assumed pensionable pay, and how it is used.

The employer needs to include the APP, for this pay period, in the pensionable pay in the CARE pay column on the MARS return.

His employer has to pay their employer contributions on the value of the APP

This ensures the pay in Fred's pension account and therefore his pension at the end of the year is not reduced

Reporting

1. MARS and CARE

The CARE pay in the return requires the 'cumulative pensionable pay'

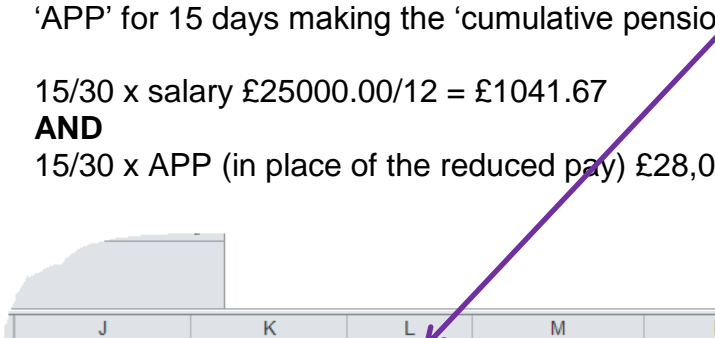
Fred is off sick and he has less contractual pay this month

'CARE pay' for September will be the full rate contractual pay for 15 days and the 'APP' for 15 days making the 'cumulative pensionable pay' = **£2208.34**

$15/30 \times \text{salary } \pounds 25000.00/12 = \pounds 1041.67$

AND

$15/30 \times \text{APP (in place of the reduced pay)} \pounds 28,000.00/12 = \pounds 1166.67$



J	K	L	M	N	O	P	Q	R	S	T
ic LGPSMAIN From Da	LGPSMAIN To Da	LGPSMAIN P	LGPS5050 From Da	LGPS5050 To Da	LGPS5050 Pa	Comment				
01/09/2015	30/09/2015	£ 2,208.34				pay includes 15 days at half pay and 15 days of 'APP'				

2. Monthly employer contribution return

The pensionable pay for assessing the employer's contribution (includes 'pay' and 'assumed pensionable pay') = $\pounds 2208.34 \times 16\% = \pounds 353.33$

The member's contribution is based on his 'pensionable pay' of $\pounds 1562.40 \times 6.5\% = \pounds 101.56$

October 2015

Fred is on sick half pay the whole month

His half pay is $\pounds 1041.67$

His LGPS contribution is 6.5% on the half pay he receives = $\pounds 67.71$.

His CARE pay for the month on the MARS return is completely APP $\pounds 28000.00/12 = \pounds 2333.33$ - this is the value which will go into his pension account.

Reporting

1. MARS and CARE

The CARE pay in the return requires the 'cumulative pensionable pay' as Fred is off sick and he has contractual half pay the full month 'CARE pay' for October is completely 'assumed pensionable pay' **£2333.33**

$$£28000.00/12 = £2333.33$$

J	K	L	M	N	O	P	Q
LGPSMAIN From Da	LGPSMAIN To Da	LGPSMAIN P	LGPS5050 From Da	LGPS5050 To Da	LGPS5050 Pa	Comment	
01/10/2015	31/10/2015	£ 2,333.33				APP whole month	

2. Monthly employer contribution return

The pensionable pay for assessing the employer's contribution is the 'assumed pensionable pay' = $£2333.33 \times 16\% = \mathbf{£373.33}$

The member's contribution is based on his 'pensionable pay' which is half pay of $£1041.67 \times 6.5\% = \mathbf{£67.71}$

November 2015

Fred is still off sick, but is now in 'No Pay'

He does not pay any pension contributions, because he has not received any pay.

His CARE pay on the MARS return will be solely **assumed pensionable pay** **£2333.33**

As a notional value it will go into his pension account.

Reporting

1. MARS and CARE

CARE pay on this return is a month of 'APP' $£2800.00/12 = \mathbf{£2333.33}$

J	K	L	M	N	O	P	Q	R	S
LGPSMAIN From Da	LGPSMAIN To Da	LGPSMAIN P	LGPS5050 From Da	LGPS5050 To Da	LGPS5050 Pa	Comment			
01/11/2015	30/11/2015	£ 2,333.33				APP whole month member on sick no p			

2. The monthly employer contribution return

The pensionable pay for assessing the employer's contributions is the 'assumed pensionable pay' = $£2333.33 \times 16\% = \mathbf{£373.33}$

The member contribution is NIL



When Fred asks 'What happened to my pension last year?'

You need to check that you have reported his pay correctly, each month, and that the reports agree to the end of year details.

Have you paid the correct employer contributions?



Get in touch with pension services with your questions.

December 2015.