These notes give the background detail to 'Final pay' 'pensionable remuneration'

Guidance to assess and report on 'Final Pay'
For estimate requests; the leavers tab on MARS return; end of year returns

What is 'Final Pay'?
'Final Pay' is a defined term within the 2007 LGPS regulations. It will still apply for many years ahead because anyone who has membership before 1 April 2014 will keep their link to 'Final Pay' as part of their pension calculation, while they continue in the public sector pension scheme membership.

All employers should supply the details to enable final pay calculations for each employment - you may not know that your member of staff has this previous link.

Final pay assessments for each employment must be kept separate and if multiple employments end on the same day, separate leaving and final pay assessments are necessary.

'Final Pay' generally covers the last 365 days of active membership. An employer should show the whole time equivalent rates of pay, and their effective dates for the final pay period. All elements of pay for part-time employees must be shown as whole time equivalents.

The final pay period can vary … again covered in the regulations. It would automatically be the best one from the last 3 years – ending with the last day of service. Other periods could apply but these will have been agreed between the member and employer and will need specific notifications.

When and what does an employer report?
For all leavers, including opt–outs, - employers must supply the constituent details to 'final pay' on the MARS return to enable Pension Services to calculate final pay. Flexible retirement form also asks for the constituent details to 'final pay'

Leaver input on MARS
The columns in the MARS return allow you to report the changes to the salary during the last 365 days – or longer period if required. For most people the last 365 days for whole time equivalent pay is used but the regulations allow for the best one of the last three years always linked to the anniversary date of the last day of service.

MARS column headings

> **Effective date of pay -** complete this with either the beginning date of this period or the first date this rate applied if after the start of the final pay period

> **WTE pay figure** - the grade rate for the whole time job, with no term time or part time adjustments

> **Weekly hours** - for part time employees record here the contractual hours required to work and the whole time equivalent

Weeks per year - (generally used for school based employees) show here the contractual weeks in the year appropriate for the member

Additional pay - allows you to record any other pensionable payments shift pay, pensionable bonus, first aid allowance; that have been paid in that year. If the payment represents a part of another period you must proportion it so only payments in respect of the final pay period are included.
NB Non- consolidated pay award due on 1.12.2014 must be reported in the appropriate period, and for part time employees at the full time value

It is essential that for part time employees you show the *whole time equivalent* rates not the individual's adjusted rate. Unlike the LGPS2014 which ties everything to actual pay, a person's pre 2014 pension record held all hour changes to build up their membership and used the whole time rates of pay in the 'final pay' to assess benefits. .

For 'final pay' calculations, you disregard reductions in pay due to sickness. And periods on no pay when pension has been restored by member's additional pension contributions.
There is space on the MARS return to record several changes during the last 365 days … or to continue into the two earlier periods.

For worked examples of final pay calculations please see the drop - down notes in the 'end of year' section on this webpage.

Any HR estimate request - supply the constituent details of 'final pay' – the rates and their effective dates - as above to enable Pension Services to correctly prepare benefit and cost calculations

At End of Year. - At the end of every scheme year, every employer must supply a 'final pay' assessment for each employment for that past year,. Pension Services will use this value to prepare members' annual benefit statements and annual allowance checks.
Pension Services will supply the end of year template.
The figure you give for each employment will be as if the employee had worked whole time for the whole year. You disregard any periods on no pay and periods of sickness.

Pension Services will redirect queries members make about the 'pay' shown on the annual statement to their employer.

The End of Scheme Year notes contain worked examples for 'final pay' you may find helpful.

Other final pay periods

The following information may be useful for leavers / flexible retirement notices, but not used in the end of year return.

The 2007 regulations gave protection to people whose pay had been reduced, and left employment within 10 years of the reduction. The member has to request the 'Regulation 10' protection at least one month before leaving, and employers will be asked to confirm that the circumstances existed to permit the election.

Employers will still need to retain and report on up to 13 years of pay and pay changes back from the date of leaving when the election is in place.

This link will take you to the information about a reduction in pay and the template letters

https://www.oxfordshire.gov.uk/cms/content/reduction-pay

Remember where a Scheme member is subject to a reduction or restriction in pay, regulations 8 and 10 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 continue to apply for the purposes of the final pay calculation regardless of whether the reduction or restriction in pay occurs before, on or after 1 April 2014.

January 2015