Employer Manual – May 2018

This manual is for employers in the Hampshire Pension Fund, part of the Local Government Pension Scheme administered by Hampshire County Council.

It is here to help you with day to day pension administration – it explains what you need to do so that employees receive the pensions they are entitled to. Nothing in this manual can override LGPS Regulations.

How to contact us

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You can find out more from:

- Website: www.hants.gov.uk/pensions (user name and password are both Employer1).
- Pensions Matters; our quarterly email newsletter.
- LGPS regulations and guidance: www.lgpsregs.org
- Employer forums and affinity groups.
- The Local Government Association (LGA) represents employers' interests to central government and other bodies: https://www.local.gov.uk/

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Background

The LGPS is one of the UK's largest public sector pension schemes. It is open to most employees in Local Government and some other organisations.

Its benefits are set out in law so it is very secure. Its regulations are issued by the Department for Communities and Local Government (DCLG).

The LGPS is contracted-out of the State Second Pension (S2P). Members pay lower National Insurance but do not build up S2P while contributing.

It is also a qualifying scheme for automatic enrolment purposes.

Benefits

The LGPS is a defined benefit scheme - pension benefits are based on membership and pay. Benefits include:

- Pension
- Death grant
- Pension for surviving partners
- Pensions for surviving dependent children

One years membership provides:

Dates	Membership	Yearly pension	Retirement lump sum
Before April 2008	Membership is scaled down if it is not full time	1/80 x final whole-time pay	3/80 x final pay
April 2008 to 31 March 2014	Membership is scaled down if it is not full time	1/60 x final whole-time pay	Can exchange pension for lump sum
From April 2014 (Main section)	Membership builds up at its calendar length	1/49 x that year's actual pay	Can exchange pension for lump sum
From April 2014 (50/50 Section)	Membership builds up at its calendar length	1/98 x that year's actual pay	Can exchange pension for lump sum

The Hampshire Pension Fund

The LGPS is administered by regional funds. The Hampshire Pension Fund covers employers mainly in Hampshire.

Each LGPS fund has an administering authority. The Hampshire Pension Fund is administered by Hampshire County Council.

Hampshire County Council appoints a Pension Fund Panel, and Pensions Services provides an administration service on the Pension Fund Panel's behalf.

Types of employers

There are three types of employer in the LGPS, shown in the table below.

Type of employer	Participation	Examples	Eligible employees' right to join
Scheduled	Must participate	County, city, borough & district councils Colleges & academies Some other public sector employers	Automatic right to join the LGPS
Designated	May choose to	Town or parish councils, Trust, voluntary, foundation or foundation special schools	If designated by employer (or education authority, if a school)
Admission	Through admission agreement	Public sector, charities Providers of outsourced services for local authorities	Join if employer nominates them

Types of employees

	Whole time	Part time	Variable hours	Variable time
Hours	Contract to work all week, every week	Contractual hours and/or weeks	No contractual hours	No contractual hours
Pay	Full time salary	For contracted hours, linked to WTE	Hourly rate linked to WTE	Flat pay and/or ad hoc pay No hourly rate, no link to WTE
WTE average & final pay	Based on WTE plus other pay	Based on WTE plus other pay	Based on WTE plus other pay	Best flat pay from one of final 3 years plus average ad hoc pay for final 3 years
Membership up to April 2014	Percentage of whole time, cannot exceed 100%	Percentage of whole time based on hours & weeks	Proportion of whole-time based on hours worked Report at end of year & at leaving	As whole time, adjusted if LGPS accounts combined
Membership from April 2014	Notify us of hour / weeks changes for Underpin / added years	Notify us of hour / week changes for Underpin / added years	Record hours for Underpin or added years	Notify us if no longer variable time

Who does what?

Employers and Pensions Services must meet statutory requirements to ensure the correct benefits are promptly paid. Our service standards and administration strategy are on our website.

Employers' roles

This list covers the LGPS but you also have to comply with HMRC and automatic enrolment rules.

- Inform employees about the LGPS
- Pass information to employees
- Deal with employees who opt out
- Enrol employees in the LGPS and deduct contributions
- Pay employee and employer contributions into pension fund
- Inform Pensions Services of starters, changes of details or employment, and leavers
- Provide end of year information
- Set and exercise discretions policies

Pensions Services' role

- Maintain pension accounts
- Calculate, quote and pay pensions and lump sums
- Administer pensioner payroll
- Provide information for employers and members
- Receive and reconcile pension contributions
- Respond to queries from members, employers, dependants etc

Communication & recordkeeping

Through Employer Web you can make changes to employees pension records. If you require access to Employer Web please contact pensions.system.team@hants.gov.uk

Please find below a link to our current navigation guide: http://www3.hants.gov.uk/employer-hub-navigation-and-amendments-may-2018.pdf

Below is a list of the changes you will need to submit:

Task	**Employer form**
Joining	
New member New concurrent role Re-join (opt in or auto-enrol)	Notice of starter PCSS interface
Starter after flexible retirement	Notice of starter
Maintain accounts	
Changed hours or weeks	Amendment to pension record PCSS interface
Correct hours or weeks	Amendment to pension record
Amend personal details	Amendment to pension record PCSS interface (not NI, pay ref or DOB)
Update location, job title	Amendment to pension record PCSS interface
Change payroll provider	Transfer of payroll
Absences	
Membership break, no scAPCs: Unpaid AML, APL, AAL Authorised unpaid leave	Amendment to pension record
Unpaid jury service, no scAPCs	Amendment to pension record
Strike – APCs not paid (please tell us if employee later	Amendment to pension record

Task	Employer form
pays APCs in respect of strike)	
Flexible contributions	
Join or leave 50/50 section	Amendment to pension record
Start APC or scAPC	APC or scAPC confirmation
Cease any type of added contributions contract	Amendment to pension record
Leaving	
Left job Opt out after three months	Notice of leaver
Opt out, less than 3 months	Notice of starter (if not already sent) & copy of opt out
Retiring	
Pension estimate & employer costs	Request an estimate for retirement benefits
Waive reductions or switch on 85 year rule	Employer authorisation
Voluntary retirement	Notice of leaver
Flexible retirement	Notice of leaver Employer authorisation
Redundancy or efficiency over 55	Notice of leaver Employer authorisation
Ill health retirement, current member	Notice of leaver Ill health certificate
Deferred before April 2014, allow pension age 55-60	Employer authorisation
Former employee, ill health	Ill health certificate
Ill health – tier 3 review	Ill health certificate

Recordkeeping

You need to keep track of information that relates to pensions. You may decide to keep information for longer than listed below, for example in case of queries from employees.

What to record	How long to keep them
50/50 & main sections	
Dates of moving between sections	Until member leaves & you send Notice of leaver
Cumulative pay in each section	Current & previous year
Contributions - employee	
Basic contributions in main section Basic contributions in 50/50 Employee APC & shared cost APCs Other added contribution contracts split by type	Current & previous year
Contributions – employer	
Basic contributions for each employee Employer's shared cost APCs Other contracts by type	Current & previous year
Opt outs	
Opt out form and date of opt out	As for auto-enrolment
Pensionable pay - cumulative	
Cumulative pensionable pay for each year split by section • Main • 50/50	Current & previous year

What to record	**How long to keep them**
Pensionable pay - whole-time	
WTE rates of pay & dates of changes Other pay that would have been pensionable in LGPS2008 (covered by transitional regulations)	Current & previous two years
Date of pay reductions, freezes or restrictions Pay details (as above) for each year 1 April to 31 March	Previous 13 years
How you treated pay items under LGPS2008	Indefinitely
Certificates of protection – issued before April 2008	Until member leaves & you send Notice of leaver
Retirements – ill health	
Certificates, reports, decisions, etc	In case of query or IDRP
Work patterns	
Contractual hours, contractual weeks Full time hours for role / organisation	Until member leaves & you send Notice of leaver
Changes to / from work patterns, such as variable hours to part time etc	Until member leaves & you send Notice of leaver
Whether an employee has one or multiple concurrent LGPS accounts	Until member leaves & you send Notice of leaver

Contributions

Employee contributions

What to take contributions from

Pensionable pay is what employees pay LGPS contributions from, and what you base their contribution rates on.

Items of pensionable pay

- All salary, wages, fees, overtime & other payments
- Any benefit specified in an employee's contract as pensionable

Items of pay that are not pensionable

- Any sum which has not had income tax liability determined on it
- Travelling, subsistence or other allowance for work related expenses
- Pay in consideration of lost holiday
- Pay in lieu of notice to terminate employment
- Inducement not to terminate employment before payment made
- Anything treated as money value of provision vehicle or in lieu
- Pay in consideration of lost future pensionable pay or benefits
- Compensation (except arrears of pay) for achieving pay equal to other employees' pay
- Pay from the employer to a reservist on service leave
- Returning or acting returning officer fees (except for fees in respect of: local government, parliamentary or European elections)

Basic contributions

A percentage of an employees' pay goes towards their pensions. The percentage is based on the employee's annual cumulative pay. This is normally their actual pay but it may include assumed pensionable pay (APP).

An employee may temporarily choose to pay lower basic contributions by joining the 50/50 section.

Setting contribution rates

You must set an employees' contribution rate when they join the LGPS and you must review them every April. You can choose to review them more often.

You should base employees' contribution rates on their actual pay, but use assumed pensionable pay if pay is reduced due to:

- Absence due to illness or injury
- Maternity, paternity or adoption leave

Informing employees

You should tell each employee what their contribution rate is when they join the LGPS and when it changes. You should also let them know that they can use the internal disputes resolution procedure if they think their rate is wrong (page 77).

HR guide

www.lgpsregs.org/index.php/guides

Pensionable pay examples
page 86 onwards

Your organisation's approach

The regulations give you flexibility for how and when to review employees' contribution rates, so your organisation can find an approach to suit its needs, as long as it is fair and consistent. You'll need to know what your organisation has chosen to do.

- The approach may need to consider your processes and payroll system's capabilities.
- If you use an external payroll provider, you will need to discuss any changes to your approach with them.

The flexibility means you can choose:

- How to determine employees' contribution rates, for example when you can't be sure what someone will earn.
- When to review contribution rates. You must review them each April, but can review them more often, for example each month or quarter.
- What to do if a change affects pensionable pay. For example, you could check the rate automatically or wait until the next scheduled review.

Contributions during absences

The table below sets out what contributions are due during an absence.

Absence	Basic contributions	APCs & scAPCs	AVCs
Sickness (paid)	Employee: on pay received, including any statutory pay Employer: on APP	Continue	Continue
Sickness (unpaid)	Employee: none Employer: on APP (Move to main section if in 50/50)	Deemed paid	Continue
Ordinary maternity, paternity, adoption	Employee: on pay received Employer: on APP	Continue	Continue
Additional maternity, paternity, adoption	If paid, as above. If unpaid, choice of scAPC	Continue	Continue
Strike	Employee: APC optional Employer: none	Continue	Continue
Authorised unpaid	Employee choice of scAPC	Continue	Continue
Unpaid jury service	From pay before reductions related to jury service If you don't pay employee, treat as unpaid leave	Continue	Continue

Reducing contributions – 50/50

There are two sections in the LGPS – the main section that employees first join and are likely to be in most of the time, and the 50/50 section which members can opt into if they want to. A member cannot join the 50/50 section until they have been enrolled into the main section.

In the 50/50 section, employees pay half the contributions to build up half the pension. It is intended to be temporary but employees can opt in and out of the section as often as they like.

Death in service lump sum, children's and partners' pensions are not affected by the member joining the 50/50 section.

Opting for 50/50	Employee writes to you. Please send us an amendment to pension task through Employer Hub. You should inform the employee of the effect on their pension. There is information on our website regarding this.
Contributions	Employee pays half contributions – e.g. an employee in the 6.5% contribution band would pay 3.25% in the 50/50 section Employer continues to pay full contributions
Leaving 50/50	An employee can opt out of 50/50 at any time. You must also enrol them back into the main section: • if on nil pay due to sickness absence, ordinary maternity, paternity or adoption leave • at their Automatic Enrolment event
New LGPS members	Can't join 50/50 until they've joined the main section But an employee can join the 50/50 section immediately after joining the main section, and effectively be in the 50/50 section from their first day
Reserve forces leave	Cannot move between 50/50 and main sections – stays in the section they were in at start of leave
APCs	APCs in respect of absences continue, but others stop. Employee cannot start APCs if in 50/50 section.
AVCs, ARCs & added years	Continue unless employee stops them

Additional voluntary contributions (AVCs)

AVCs are payments made to an approved provider. AVCs can be free-standing or in-house. The Hampshire Pension Fund offers in-house AVCs through Zurich and Prudential.

Process for setting up an AVC

Starts AVCs	Member contacts the provider Zurich: Member gives you their application. You deal with Zurich directly and deduct contributions from pay Prudential: Member applies to Prudential, who then contacts you. You deal with them directly and deduct contributions from pay
Changes amount	Adjust amount taken from pay and notify the provider
Stops AVCs	Stop deducting AVCs and notify the provider
All types of absence	Contributions continue unless employee chooses to cease. Employee can pay life cover as a lump sum if pay doesn't cover contribution
Leaves LGPS	Include last AVC payment date & amount when you notify us of the leaver

Flexible retirement	Employee can take AVCs or keep paying in their on-going LGPS membership

Additional pension contributions (APCs)

Background

APCs are used to buy yearly pension, up to £6,675. The limit was set in April 2014 and increases in line with Pensions Increase legislation.

The limit includes all extra pension bought by the employer and/or employee, including any bought under older regulations.

Employees can pay APCs as a lump sum or as regular contributions.

If the purpose of an APC is to make up for pension lost because of an absence (other than strike break), the employer may have to contribute, as long as the employee makes their election within 30 days of returning to work or longer at the discretion of the employer.

Employers can cover the whole cost of an APC if their discretions policy allows, as well as awarding extra pension under a different regulation.

Process

1. If the APC is to buy lost pension, you will need to give the employee a statement of their lost pay – you will need to base is on their assumed pensionable pay. You must also confirm to the employee whether they are in the main or 50/50 section of the LGPS.

   If the APC is not being used to buy lost pension, you only need to give the employee a statement if you have agreed to share the cost with them.

2. The employee gets a quote by using the LGA's APC modeller. Once happy with the quote, they use the modeller to produce an application and notes. They need to check and sign the application.
3. The employee sends the application to Pensions Services. They also send you a copy if they wish to make contributions from pay.
4. Please acknowledge receipt of the application.
5. Check the information, especially:
    - lost pay which will affect the cost to the employer
    - if in the 50/50 section, employee can not start an APC or Shared Cost APC (scAPC) except to buy lost pension
    - that regular contributions are affordable
    - Pensions Services does not require a medical
6. Send APC confirmation form to Pensions Services to tell us if you accept or reject the application.
7. If you accept the application, and employee is paying regular contributions, start deducting them from pay.

Pension Services process

We will confirm receipt of the employee's application and ask you for any more information that we need. If you raise concerns about the employee's medical history, we will decide if medical is needed. We will write to employee and employer if the application is accepted, and invoice the employee if they are paying by lump sum.

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Discretions:

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Redundancy:

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Regulations

http://lgpsregs.org

16: APCs

31: Awarding pension

Reasons for paying APCs

Purpose of APC	Discretion?	Time limit	Employer pays	Joins 50/50
Authorised unpaid leave	No	30 days from return to work or longer at employers discretion	2/3 cost	Continue
Unpaid additional maternity, paternity or adoption leave	No	30 days from return to work or longer at employers discretion	2/3 cost	Continue
Unpaid jury service	No	30 days from return to work or longer at employers discretion	2/3 cost	Continue
Strike absence	No	No	None	Continue
Increase own pension	No	No	No	Stop APCs
Shared cost (other than those absences above)	Yes	Employer discretion	Employer discretion	Stop APCs
Employer only	Yes	Active or within 6 months of redundancy or efficiency	Employer discretion	Continue

Restrictions

Employees cannot

- start or continue APCs or shared cost APCs if not an active member of the LGPS
- start or continue APCs or shared cost APCs (except to cover an absence) if in the 50/50 section
- start or change an APC contract during reserve forces leave

Employees **cannot** make regular contributions but can pay a one off amount if:

- less than a year before NPA, or over NPA
- regular payments are too small for the administration involved
- if pay will not cover the contributions
- employee is working their notice, or not sure that they'll come back to work after an absence – an election to pay a one off amount can only be made while employee is still active in the LGPS

Late applications for scAPCs

From 1 April 2014 the regulations allow the employer discretion to extend the 30 day limit for an employee to elect for a shared cost APC in respect of an absence.

Stopping added contributions:

Amendment to pension record form

LGPS 2014 transitional regulations: www.lgpsregs.org

APC modeller: www.lgps2014.org

Other types of extra contributions

This section covers older types of additional contributions. You may have employees whose contracts are continuing.

Additional regular contributions (ARCs)

Employees who pay ARCs pay extra into the LGPS to buy more yearly pension. The monthly cost is based on Secretary of State guidance. ARCs were withdrawn on 1 April 2014 but existing contracts remain valid.

Added years

Added years are bought by an employee or employer and give extra years of membership. Added years were withdrawn on 1 April 2008, but existing contracts remain valid.

Additional survivor benefits contributions (ASBCs)

Partners of members who are not married or in a civil partnership may receive a pension if the member dies, but only membership from 6 April 1988 will count towards it. ASBCs were available briefly until 31 March 2014; they were a way for members to increase the pension available to their partner. A few contracts continue.

Pension or membership awarded by employer

Employers may have awarded extra pension to employees under old LGPS regulations – this may have been pension or membership.

These have been replaced by APCs, shared cost APCs and pension that employers can purchase under regulation 31 of the LGPS 2013 regulations.

Whole time pay

Pension built up before 1 April 2014 is based on whole-time equivalent pay (WTE) even for members who are not full-time.

There are three types of WTE pay you must be able to work out. Your calculations can be based on days, or months and days.

- annual *rate* of WTE pay
- annual *average* WTE pay
- *final* WTE pay

LGPS 2008 regulations: http://www.lgpsregs.org/timeline regs/LGPS2008Regs/BATidx.htm

LGPS 2014 transitional regulations: www.lgpsregs.org

What to use in WTE calculations

Only use pay that pension contributions were paid from, and that would also have been pensionable under LGPS2008 rules, shown below.

Use • All salary, wages, fees and other pay for employee's use • Other pay or benefit in employment contract as pensionable
Do not use • Non-contractual overtime • Travel, subsistence or other allowances expenses • Pay for lost holidays • Pay in lieu of notice to terminate employment contract • Inducement not to terminate employment • Certain supplements paid by the Environment Agency or to those transferred in 2010 from the Learning and Skills Council • Compensation (except arrears of pay) to achieve pay equal to other employees • Anything that has not had income tax liability determined on it

Rate of WTE pay

For full time, part time and variable hours employees, the annual rate of WTE pay is what they would earn for working full weeks, all year round.

You can probably find out employees' WTE pay from your payroll system, but you can work it out if you need to.

All the WTE pay calculations you need for these employees are based on annual WTE rates of pay.

Variable time employees

Variable time employees don't really have an annual rate of WTE pay –their actual annual pay is used instead, and there is a different final pay calculation for them.

Average WTE pay

Average pay is used for pension statements, estimates, end of year and valuation – you need to take an average if the whole-time rate of pay in the year you are looking at has changed. Average WTE pay is the base of final WTE pay calculations.

Work out average pay

Include pensionable pay in respect of work carried out in the 12 months you are calculating if it would have been pensionable in the LGPS 2008.

Pay that relates to a specific period but was paid at another date should be applied to the period it relates to, and not when it was paid. For example

- Back pay that relates to 2015 but is paid in 2016 should be applied to 2015
- Pay for contractual overtime that was worked in June will relate to that month, even if it was paid later
- A pensionable bonus for a project carried out in February and March will relate to those months, even if it was paid later – making it part of the earlier scheme year's pay

WTE average – absence during year

Sickness and injury

When an employee has been on reduced or nil pay because of sick leave, base final pay on what they would have earned if they had been at work, including extra payments they would have received, if it would also have been pensionable in the LGPS 2008.

Maternity, paternity and adoption leave

If pay was reduced, base final WTE pay on what the employee would have earned if they had been at work. Also include any extra pay they would have received, if it would have been pensionable in the LGPS 2008.

Authorised unpaid leave

This absence will not have an effect on WTE pay, because it's an annual rate of pay.

If the employee did not make up the lost pension, there will be a break in their pensionable membership.

Examples

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Final WTE pay

Final pay is used to calculate pension built up before April 2014. Final pay is based on average WTE pay calculations.

You need to tell us the final pay of all employees who leave, even if they joined you after April 2014, as they may have been in the LGPS in an earlier employment.

Whole time, part time and variable hours

Final pay is usually an employee's average WTE pay during their final year, up to their leaving date, but you must check the previous two years in case one of them is higher.

Variable time

If the employee gets flat rate pay, look at each of the final three years to see which is best – you'll need to take an average for each year where the rate changed.

If the employee received ad-hoc payments such as fees, average the ad-hoc payments for the final three years over those three years. If the employee was in the scheme for less than three years, take the average over the length of membership.

Add the best flat rate pay to the averaged ad-hoc pay; this will be their final pay.

Examples

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Final WTE pay protections

If an earlier year gives a higher pay figure

Always work out a final pay figure for each of the final three years. For example, if an employee leaves on 31 October 2018, work out pay for years ending 31 October 2016, 2017 and 2018.

We ask about this on the leaver form - use the highest pay and tell us which year it's from.

Reduced, frozen or restricted pay

If an employee's rate of pay was reduced, frozen or restricted in their last 13 years of membership, other than flexible retirement, they can ask you to use the best three-year average of the last 13 years' pay. To do this:

- Calculate a WTE average for each year ended 31 March in the last 13 years.
- Work out each rolling 3-year average and increase in line with inflation.
- The best 3-year average will be the final pay.

Certificate of protection

An employee may have a certificate of protection if pay was reduced or restricted before 1 April 2008.

If they leave within 10 years of the reduction or restriction, final pay will be the best three-year average of the last 13 years' pay.

Pensionable pay spreadsheets: Please email us for up to date spreadsheets servdev.pensions@hants.gov.uk

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Cumulative pay

Pension built up since April 2014 is based on *cumulative* pensionable pay. Cumulative pay is made up of *actual* pensionable pay and *assumed* pensionable pay (APP).

Actual pensionable pay

Whenever the employee is at work as normal, they build up pension based on their actual pay.

Actual pay includes anything that they pay basic pension contributions on.

Assumed pensionable pay (APP)

APP is used mainly when actual pensionable pay cannot be used to calculate pension accrual.

If an employee is on ordinary maternity, paternity or adoption leave, additional paid maternity, paternity or adoption leave or if pay is reduced due to sickness absence, pension accrual and employer contributions are based on APP.

If the employee wants to make additional pension contributions because of another type of absence, you need to find the amount of lost pay by doing an APP calculation.

If an employee takes ill health retirement or dies in service, you need to work out an annual rate of APP that we will use to calculate ill health pension or death benefits.

If the APP it is lower than the pay the member would receive if they were at work, you as the employer can substitute the higher of the two figures.

Cumulative pensionable pay

Cumulative pay is actual pay from when an employee was at work as normal, plus APP (instead of actual pay) for any periods of

- sickness absence where pay was reduced or nil
- ordinary maternity, paternity or adoption leave
- paid additional maternity, paternity or adoption leave

Pension accrual

Cumulative pensionable pay –used to work out pension build up – does not include APP for the types of leave where pension does not build up, such as strike or authorised unpaid leave.

This is the main cumulative pay figure that we ask you for on the Notice of leaver from.

You need to record employees' cumulative pay separately for each year's main and 50/50 section membership.

An employee will get 1/49th of their cumulative pay towards their pension, or 1/98th if paying into the 50/50 section.

For setting contribution rates

The cumulative pay that you base an employee's contribution rate on should include APP for all types of absences – you would not expect the percentage of an employee's contributions to change just because they've been off work, even if they didn't build up any pension during the absence.

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Setting contributions rates

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Working out APP

For employees paid each month, APP is based on the three months before the month in which the event occurred.

For employees paid four-weekly, fortnightly or weekly, APP is based on the 12 weeks before the pay period in which the event occurred.

The event could be:

- The start of reduced or nil pay during sickness absence
- The start of ordinary maternity, paternity or adoption leave
- The start of authorised unpaid leave, unpaid jury service or strike absence
- Date of ill health retirement
- Date of death in service

If the APP it is lower than the pay the member would receive if they were at work, you as the employer can substitute the higher of the two figures.

APP and absences

You must work out APP:

- at the start of a period of reduced or nil pay due to sickness absence
- at the start of ordinary maternity, paternity or adoption leave
- at the start of reserve forces leave, to work out what the MoD should deduct from the reservist's pay, and what it should pay in respect of employer contributions
- for other types of absences to work out lost pay or when reviewing the employee's contribution rate

You will use the APP:

- to base employer contributions for each pay period during sickness absence, ordinary or paid additional new parent leave, etc
- to help work out the employee's contribution rate on if you review it during any type of absence
- to work out lost pay so that the employee can decide whether to pay APCs or scAPCs
- as part of cumulative pay for pension build up, shown on statements and estimates

Examples

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Absences

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Joiners

Eligibility

You need to know which of your employees can join the LGPS, and whether to bring them in automatically or wait until they opt in. The list on the next page covers LGPS rules, but it applies differently to different types of employers:

Scheduled employers

Scheduled employers should bring most eligible employees into the LGPS automatically, and others can opt in if they like.

Admitted employers

Admitted body employers should check their admission agreements.

- If it's a closed agreement, only employees who transferred as part of the agreement can pay in. If they opted out, they will only have a limited time in which to re-join.
- If it's an open agreement, new employees can join the LGPS depending on the agreement.

Designating employers

Designating employers must have a resolution, designating those who they allow to join the LGPS. The resolution can cover:

- Individual, named employees
- Employees who meet certain criteria
- Specific roles

Eligibility and automatic enrolment

If an eligible employee has not already joined or been brought into the scheme under LGPS rules, or if they have opted out, you may have to enrol them under automatic enrolment rules.

Automatic enrolment rules will never prevent an employee from joining the LGPS.

Regulations

www.lgpsregs.org

Auto-enrolment

www.thepensionsregulator.gov.uk

www.lgpsregs.org

Member eligibility under LGPS regulations

Eligible	Not eligible
Not eligible for another statutory pension scheme in that employment, such as the Teachers' Pension Scheme	Eligible for membership of another statutory pension scheme, such as the Teachers' Pension Scheme
Under age 75 (70 for coroners)	Age 75 or over (70 for coroners)
Employed by an admission body who has nominated them for membership	Employed by an admission body who has not or cannot nominate them for membership
Casual with mutuality of obligation (or offered & accepted work daily for at least 3 months) – enrol automatically	Employed by a private contractor & works less than half time on a contracted-out service
Casual without mutuality of obligation - can opt in, do not enrol automatically	Councillors
Contract of 3 months or more – enrol automatically (if less than 3 months - can opt in, do not enrol automatically)	

Enrol employees into the LGPS

- Scheduled employer: Automatically enrol most employees from their start date. Most others can opt in
- Designating employer: Enrol if you have a resolution to allow it
- Admitted employer: According to the admission agreement

Deduct pension contributions

- Deduct contributions as soon as you enrol the employee
- Where an employee has more than one employment, treat them separately when determining the employee's contribution rate
- An employee cannot backdate their start date in the scheme
- If an employee with a contract of employment for less than 3 months makes an election to joint the scheme, they will be brought in from the beginning of the next available pay period following their election to join, not from the date of the election

If there are concurrent employments

Keep separate records for each post an employee has.

- Input starter information for each post
- Contribution rates and pay may be different for each one
- Pay references for each post should be unique
- The HR guide on the LGPS Regulations and Guidance website can help you think about whether an employee's roles count as one or more jobs

Employee contributions

Page 15

HR guide

http://lgpsregs.org

Under three month contracts extended

If an employee whose contract is for less than three months has their contract extended, opts in or becomes eligible under automatic enrolment rules:

- Scheduled employers must enrol them into the LGPS
- Designating employers should enrol the employee if they have a resolution to allow it
- Admitted employers should check their admission agreements

Re-joining the LGPS in the same employment

- Please input a Notification of Starter for an employee who re-joins the LGPS having previously opted out.
- If a member opts out of the LGPS in an employment on or after 11 April 2015 with an entitlement to a deferred benefit (and they do not have a concurrent employment in which they are still a member of the scheme) they will not have the right to aggregate those deferred benefits with any future period of membership in the LGPS.
- If eligible, the employee has a year from re-joining (or longer if your policy allows) to decide whether or not to keep LGPS accounts separate.
- If eligible, employees can transfer from other schemes into their active LGPS account if they are within a year (or longer if your policy allows) of first joining the LGPS in their current employment. They may have missed the deadline by the time they re-join.

Information for employees

You should give a membership booklet to employees:

- joining the LGPS for the first time with you
- with new concurrent pension accounts
- those who previously opted out and had their contributions refunded

You can order them free of charge through our website or print them as you need them. Other information that the employee may find helpful is on our website.

Inform us of new members

Please tell us about new members and anyone who opts out, and send us any pension paperwork given to you by the employee.

- If you use PCSS payroll: information for many new members is sent using the interface. However, please send us new starter information through the Employer Hub for new pension accounts following flexible retirement.

All the information you give us must be correct, especially:

- Pay number – unique, even if the member has more than one job. If you cannot do this, the job description or location must be unique
- Whole time equivalent pay
- Start date in job the LGPS account relates to
- Date of joining LGPS in job the LGPS account relates to
- Location

Different types of employees

When you tell us about an employee joining the LGPS, you need to tell us if they are whole-time, part-time, variable hours or variable time. See page 8

Employees who opt out

Employees can only opt out after they have been enrolled, by sending you an opt-out form which they can get from our website – you are not allowed to give employees these forms.

If the employee opts out	What you need to do
Within 3 months of joining scheme Has not transferred in pension	Refund contributions through payroll so tax and NI are adjusted Inform us by sending starter information through the Employer Hub then sending us a copy of the opt out, confirming that you have refunded contributions Keep a copy of the opt-out form
3 months or more after joining, or less with transferred in pension	Inform us of the leaver (page 58) We will deal with the deferred pension, refund or transfer value as appropriate

Maintaining records

Changes to a member's employment will affect their pension. You need to keep thorough records and also tell us about some changes.

You also need to tell us about changes to a member's personal details.

You can tell us by using the Employer Hub. Some changes are sent to us by the PCSS interface.

Personal details

Please notify us of these changes or corrections. Please send photocopies of documents such as marriage certificates or change of name deeds if you can.

- Name, address, date of birth
- National Insurance number
- Partnership status
- Gender reassignment

Changes to the job

- Hours and weeks worked
- If an employee is contracted to work less than 52 weeks a year, treat increased annual leave as an increase in the number of weeks work
- Payroll number, location or pay point

Personal details

Amendment form

PCSS interface (except DOB, NI or pay ref)

Hours or weeks

Amendment form

Previous LGPS accounts

Pensions Services deals with combining previous LGPS accounts.
When an employee's deferred LGPS account is joined to their active one, the potential costs to employers for some types of retirement increase.
What happens to previous LGPS accounts depends on the circumstances.

- Refund accounts – where the employee is not entitled to pension – must normally be joined with an active account.
- Accounts deferred before April 2014 must normally stay separate from any active account unless the employee requests to combine them.
  The employee has a year to decide; the discretion to extend this deadline belongs to the employer with the liability for the active account.
- Accounts that became deferred on or after 1 April 2014 must normally be combined with any active account unless the employee requests to keep them separate.
  The employee has a year to decide; the discretion to extend this deadline belongs to the employer with the liability for the deferred account.
- If an employee has concurrent LGPS accounts, and one account becomes deferred, the employee has a year from that date to elect to keep the deferred account separate from the active one.
- If a member opts out of the LGPS in an employment on or after 11 April 2015 with an entitlement to a deferred benefit (and are not paying contributions from other employment) they will not have the right to aggregate those deferred benefits with any future period of membership in the LGPS.

Transfers into the LGPS

Pensions Services deals with transfers, but they may have an impact on you. When a member transfers pension from another scheme, or an employee's deferred LGPS account is joined to their active one, the balance of their active LGPS account increases.

This increases the costs to employers for some types of retirement.

Transfers from other schemes are normally only allowed within the first year of scheme membership unless the employer's policy allows longer.

Absences

Different types of absences are dealt with in different ways in the LGPS. This can make a difference to employee and employer contributions as well as members' pension benefits.

Sickness or injury absence

Contributions

<table>
<tr><th rowspan="2">Employee's pay</th><th colspan="2">Basic LGPS contributions based on</th></tr>
<tr><th>Employee</th><th>Employer</th></tr>
<tr><td>SSP offset against contractual pay</td><td>Contractual pay before deduction to account for SSP</td><td rowspan="5">Assumed pensionable pay.
Base on 3 months (or 12 weeks) before pay period in which pay first dropped</td></tr>
<tr><td>Contractual pay only</td><td>Contractual pay</td></tr>
<tr><td>SSP in addition to contractual pay (contractual pay not reduced to take account of the sick pay)</td><td>Contractual pay and SSP</td></tr>
<tr><td>Only SSP</td><td>SSP</td></tr>
<tr><td>No contractual pay or SSP</td><td>No contributions due</td></tr>
</table>

Record keeping

If the employee's pay is reduced, pension built up in that time will be based on assumed pensionable pay. You do not need to tell us about individual sickness absences but you must keep clear records of pay:

Whole time pay: Record what the employee would have earned had they been working normally, including types of pay that were pensionable under LGPS 2008 regulations.

Cumulative pay: Include assumed pensionable pay as part of cumulative pay. Record it separately for main and 50/50 sections.

Authorised unpaid leave

This does not include any of the other absences described in this section. Authorised unpaid leave covers extra time off for other reasons – for example, extra unpaid holiday or study leave.

No employee or employer contributions are due during unpaid leave. Any additional contributions should continue.

Offer shared cost APCs

When the employee returns to work, you must offer them the choice to start a shared cost APC contract to make up the pension they would have accrued if they'd been at work.

You will need to calculate the employee's lost pay (by doing an APP calculation) so that the employee can find out how much the shared cost APCs would cost.

The employee should make their election within 30 days (or longer if employer allows) of returning to work, but can make their election before they come back to work.

If they decide not to return, they can make an election to pay a one off lump sum as long as they do so before their leaving date.

Break in membership

If the employee does not elect to pay shared cost APCs, please notify us of a break in membership using an amendment form.

Pay examples

Page 86 onwards

Ill health retirement:

Page 68

Jury service

If you pay the employee, both you and they pay contributions as if they were working normally, before any deductions in respect of the jury service.

If you do not pay the employee during the absence, treat it as authorised unpaid leave and offer the employee a shared cost APC. Additional contributions continue as normal.

Break in membership

If the employee does not elect to pay a shared cost APC, please notify us of a break in membership.

New parent leave

This includes maternity, paternity and adoption leave. The ordinary period of new parent leave is dealt with differently from additional new parent leave.

Ordinary new parent leave counts in full towards a member's pension. If an employee's pay is reduced, you must calculate their assumed pensionable pay, and their pension will be based on that.

If the member moves onto nil pay during ordinary new parent leave and they are in the 50/50 section of the scheme, they must be moved back to the main section of the scheme.

Paid additional new parent leave counts towards pension in the same way as the ordinary period of leave.

Unpaid additional new parent leave does not count towards pension, unless they opt to pay shared cost APCs within 30 days (or longer at employers discretion) of returning to work.

The employee can make the election before returning to work, or can elect to pay a one off lump sum if they decide not to come back to work.

If the employee does not elect to pay shared cost APCs, please notify us of a break in membership. Do not include KIT days as they are pensionable and are not part of the break.

Break in membership

Amendment form

APCs

Page 20

Examples

Page 86 onwards

HMRC

www.hmrc.gov.uk

Contributions during new parent leave

This table explains contributions during new parent leave. Any additional pension contributions must be paid as if the employee were working normally.

Type of new parent leave	Contributions from	
	Employee	Employer
Ordinary	Any occupational and statutory pay	Assumed pensionable pay
Additional – paid	Any occupational and statutory pay	Assumed pensionable pay
Additional – unpaid Employee opts for APCs	1/3 cost of APC to make up lost pension (based on assumed pensionable pay)	2/3 cost of APC to make up lost pension
Additional – unpaid Employee opts not to pay APCs	No basic contributions Additional contributions due as normal	
Keep in touch days	Actual pay	Higher of actual pay or APP

Average WTE pay period including new parent leave

For a year which includes maternity, paternity or adoption leave, please base final pay on full pay, as if the employee had not been absent. Please do not add on pay for KIT days as they already count towards membership.

Reserve forces leave

Reserve forces leave counts in full towards pension benefits unless the employee opts out. Please notify Pensions Services of the leave.

Employer and employee pay contributions based on Reserve forces pay if it equals or exceeds the employee's usual pay. This includes any contributions for added years or ARCs.

AVCs must continue unless the employee cancels them.

If the employee opts out of the LGPS, please notify us through the Employer Hub.

Break in membership Amendment form

APCs

Page 20

APP

Page 32

HMRC

www.hmrc.gov.uk

Strike absence

Strike absence is unpaid; no contributions are due.

An employee can pay APCs at any time to make up the lost pension, but the employer does not have to pay towards them.

Notify us of a break in membership for anyone who goes on strike.

Unauthorised absence

Unauthorised absence is not pensionable so no basic employee or employer contributions are due and there will be a break in pensionable membership, which should be notified to us.

The employee must continue any extra contributions such as APCs and AVCs during the absence.

Selling and buying holidays

If your organisation allows employees to buy and sell holiday entitlement, you need to know how to treat their pensions.

Selling holiday

If an employee sells holiday in return for extra pay, the extra pay counts as pay in consideration of lost holiday, so it is not pensionable.

Buying holiday

If an employee buys holiday by losing pay, it's really a type of authorised unpaid leave. You should offer the employee a shared cost APC each time they return from a day's bought holiday – but you may wish to consider the options below instead.

Change contract

The employer might change the employment contract so that the employee is contracted to work for fewer days each year. The employee could take out an APC contract but the employer would not have to contribute.

LGA's HR & Payroll FAQs:

www.lgpsregs.org

Strike

Amendment form

or send us a spreadsheet

APCs page 20

Break in membership

Amendment form

Make a net deduction from pay

You could continue to pay in full so the employee pays full tax, National Insurance and pension contributions, and then deduct a net sum to pay for the holiday. This means you don't have to treat the absence as unpaid leave; there is no effect on pension, no need for an APC and no impact on benefits built up before April 2014.

You can make a net deduction only if it is:

- authorised by the employee's contract - provided the employee has been given a written copy of the relevant terms or a written explanation of them before it is made, or
- consented to by the employee in writing before it is made.

Estimates

Pensions Services produces estimates for members and employers. They provide information about members' benefits and any strain charge that the employer must pay if a retirement goes ahead.

Estimates for employers

Only employers can request estimates for retirements where they have to give their consent, or where there could be a cost to them. These are:

- Redundancy, efficiency
- Ill health
- Flexible
- Switching on the 85 year rule and / or waiving reductions for members choosing to retire before normal pension age
- Retirement age 55 to 60 for a former employee who left before April 2014

Ill health retirement estimates

Pensions Services will process an ill health estimate as soon as possible.

Tier 1 or 2 ill health pensions are enhanced, so only request an estimate for a tier 1 or 2 ill health retirement if it is the most likely outcome from the occupational health assessment.

We will provide a tier 3 estimate showing the lowest benefits if you do not specify a tier.

Estimates

Estimate request form

Pensionable pay page 14

APP page 32

How to request an estimate

Please use an estimate request form. To receive the most useful information

- Request the estimate in time to make your decisions – we take four weeks to prepare an estimate
- Request a separate estimate for each LGPS account
- Consider your needs; a change in leaving date or reason may make the estimate less useful
- Provide accurate information

Costs of extra or urgent estimates

Employers may have two estimates per pension account in any 12 months. We charge for extra or urgent estimates.

We will go ahead with an extra or urgent estimate once you confirm that you are willing to pay for it – we'll invoice you separately.

Estimate	From receipt of form, an estimate will take	Cost to employer
First two, not urgent	4 weeks	Free (two in 12 months)
Extra	4 weeks	£100 +VAT
Urgent	5 days	£100 +VAT
Extra and urgent	5 days	£200 +VAT

Employee estimates

Leaving or retiring

An employee can have an estimate if they are leaving, retiring or thinking of doing so. We may contact you for information, or the employee may pass you an estimate request to complete.

Financial planning or divorce

The employee will give you a cash equivalent transfer value (CETV) form to complete and send to us.

Leaving

Outline

You must tell Pensions Services when an employee leaves the pension scheme. The information is not sent by the PCSS interface.

Information includes membership history, pay, joining and leaving dates and other information.

We will query anything that does not match our records and won't be able to inform the member of their pension, deferred account or refund until queries are resolved.

Leaver	Employer actions	Effect on pension
Opts out under 3 months	See page 36 (Joiners)	
Opts out 3 months plus or has transferred pension into LGPS	Send Notice of leaver	Account deferred if 2 or more years Refund, transfer or combine with another LGPS account if under 2 years and eligible
Resigns or dismissed	Send notice of leaver	Account deferred if 2 or more years Refund, transfer or combine with another LGPS account if under 2 years and eligible
Redundancy or efficiency below age 55	Send notice of leaver	Account deferred if 2 or more years Refund, transfer or combine with another LGPS account if under 2 years and eligible
Dies in service	Phone us Send notice of leaver	Death grant and dependants' pension payable - deemed to have met 2 years vesting period
Retirements	Page 62 for voluntary, redundancy or efficiency retirement from 55, and ill health at any age	

Opt out over three months

Please send a Notice of leaver for any LGPS member who opts out of the LGPS with three or more months' membership.

If a member opts out of the LGPS after 11 April 2015 with an entitlement to a deferred benefit and does not have a concurrent employment in which they are still a member of the scheme, they will not have the right, if they subsequently re-join the scheme, to combine those deferred benefits with any future period of LGPS membership.

Resignation, dismissal, end of contract etc

Please send a Notice of leaver for any LGPS member who leaves your employment.

Dismissal due to misconduct

If an employee is dismissed due to a criminal, negligent or fraudulent act or omission, where the employer has incurred financial loss, compensation may be paid from the pension fund and the member may forfeit pension rights. Please contact us.

Under 3 month opt out

Notice of starter

Opt out form

Others

Notice of leaver

APP

Page 32

Examples

Page 86 onwards

Death in service

Please phone us if an employee dies; please give us next of kin details if possible and then send us a Notice of leaver. If you can, please also forward a photocopy of the death certificate.

Eligibility for death benefits

A death grant will be payable if the employee was an active member of the LGPS when they died, no matter when they joined the scheme.

Where a member dies in service, the member shall be deemed to have met the 2 year vesting period and a survivor's pension will be paid to eligible spouse, civil partner, eligible cohabiting partner or eligible chid.

In all other cases, pensions for dependants will only be due if the employee paid into the LGPS for at least two years or if pension transferred into their LGPS account brought their membership to at least two years.

Reduced pay

If an independent medical practitioner confirms to you that the employee had reduced their contractual pay or hours because of ill health, please notify us so that we can base benefits on unreduced pay and hours.

Calculate APP for death benefits

You need to tell us the cumulative pay (including APP if any) as you would for anyone leaving the LGPS.

You then also need to calculate an annual rate of APP that we will use to calculate the death grant and any dependants' pensions that are due – we ask for this separately on the Notice of leaver.

You should base the annual rate of APP on the cumulative pay for the three months (or 12 weeks) before the pay period in which the employee died.

For example, if an employee who was paid each month died in the middle of September, you would base APP on the cumulative pay for June, July and August.

You need to decide whether or not additional payments made in the year up to the employee's death would have recurred had the employee not died. If they would have recurred, you should add them onto the annual rate of APP.

APP

Page 32

Examples

Page 86 onwards

Redundancy or efficiency

What happens to an employee's pension if they are dismissed on redundancy or efficiency grounds depends on their age:

Under age 55 – Please send a Notice of leaver for the employee.

Their pension won't come into payment; if they have at least two years' membership, their pension will become deferred.

Age 55 or over – If the employee has at least two years' membership, their pension must be paid and it cannot be deferred.

Please send a notice of leaver, and also an Employer authorisation if the employee has paid in for two or more years.

There is a cost to the employer for all redundancy and efficiency retirements between 55 and NPA because the pensions are not reduced.

Costs vary depending on the member's age, pension account and Underpin or other protections that may apply, so please always request an estimate.

Awarding extra pension

Employers can buy extra pension for any employee who is paying into the LGPS, as long as their discretions policy allows it.

If an employee is made redundant or dismissed on efficiency grounds, you have longer to do this – you can award the extra pension within six months of the employee's last day.

Buying pension with redundancy pay

Instead of being paid as cash, an employee of any age can use any redundancy payment in excess of the statutory amount to buy additional pension. They can only do this if the employer has a policy that allows it. This is not covered by LGPS regulations.

The member must request this through their employer before they leave.

They can use all the excess redundancy pay to do this, or none at all; they cannot choose an amount in between.

If the extra pension is paid early – even if it's due to redundancy retirement – the extra pension will be reduced.

Discretions

Regulation 16 & 31

LGA guide

Redundancy or efficiency

Notice of leaver

Employer authorisation

Retirement declaration

Retirement

The table below shows the different types of retirements and requirements:

Retirement	Minimum age	Authorisation needed?	Cost to employer?	Member's benefits reduced?
Voluntary	55	No	No	Yes
Deferred members	55	If under 60 & left pre April 2014	If under 60 & left pre April 2014	If before NPA
Flexible	55	Yes	Likely	Likely
Ill health, active or deferred	None	Yes	No strain charge. Cost of reports etc	No
Redundancy or efficiency (page 62)	55	Yes	Yes	No

Process

1. Complete a notice of leaver for all retirements.
   Use an employer authorisation if employer consent is needed. Use an ill health certificate for ill health retirements.
2. Give the employee a retirement declaration form.
3. Send forms to Pensions Services at least four weeks before the retirement. If you can't, please let the employee know that their pension could be delayed.

You can request estimates to help with budgeting and planning.

You can increase an employee's pension in line with your discretions policy.

What we do next

Pensions Services cannot pay pensions without correctly completed forms.

We will notify the member of the amount of their pension and any lump sum, and pay them as close to when they are due as possible.

If a member has an in-house AVC, the AVC provider must pay the money to the fund before the pension can be calculated – this will delay the pension and lump sum.

Retirements

Notice of leaver

Retirement declaration

Authority needed

Employer authorisation

Ill health certificate

Estimates

Page 55

Discretions

Page 71

Choosing to retire

Members can choose to retire:

- **From 55:** Pension reduced. Some members' pensions are partly protected from reductions.
  Members who left before April 2014 need their former employer's consent to retire between 55 and 60 – as there is likely to be a cost to the employer
- **At NPA**: The later of 65 or State Pension age, pension paid in full
- **After NPA**: Pension drawn after NPA will be increased. Must draw pension by age 75

Flexible retirement

Members can take flexible retirement from age 55 onwards.

- You may offer flexible retirement in line with your discretions policy.
- The employee draws some or all of their pension but continues in their job.
- They must reduce their pay grade or hours from the date of flexible retirement.
- A member's added years or ARCs must cease upon flexible retirement, even if they re-join the scheme.
- The member can choose whether or not to take any AVCs
- Pension will be reduced if paid before NPA, unless you waive reductions and/or switch on the 85 year rule in line with your discretions policy.
- The member can choose to rejoin the scheme in their reduced role. A starter form would be required.

Flexible retirement

Notice of leaver

Employer authorisation

Retirement declaration

Notice of starter for new account

Discretions

Page 71

Ill health retirement

A current or former employee may have their pension paid due to ill health. As the employer or former employer, you must follow the relevant regulations and inform Pensions Services if you decide to authorise the retirement.

Process

1. Appoint an independent doctor to assess the employee. They must not have been involved in the case before, and must hold the right qualifications (these are listed on the ill health certificate).
2. Arrange the assessment and ask the doctor to complete an ill health certificate. Ensure that the doctor has everything they need to assess the case.
3. The doctor will pass the ill health certificate back to you. You must decide whether or not to authorise the retirement and fill in the last section of the certificate.
4. Inform the member of your decision and of what they can do if they are dissatisfied with the outcome.
5. If you authorise ill health retirement, please send us the certificate after processing a Notice of leaver. Please also give the employee a Retirement declaration form.

Ill health certificates

You must use the correct ill health certificate. Each one reflects the regulations that apply depending on when the member left the LGPS. Notes explain the qualifications that the doctor must hold, and how to fill in and interpret the certificate. Each certificate is different so please read them.

Making a decision

You should base your decision on the medical practitioner's opinion but may make a decision that is not in line with it if you have a good reason. If you do, please notify Pensions Services of the reason why.

An employee may appeal under the Internal Dispute Resolution Procedure if they are unhappy with how their case was handled or the employer's decision.

Ill health

Notice of leaver

Ill health certificate

Retirement declaration

IDRP

Page 76

Active members

If an employee has been an active LGPS member for at least two years (or transferred pension has brought it up to two years) retires due to ill health, pension is paid immediately - there is no lower age limit. Benefits may be increased, depending on which tier you decide that the member belongs to.

Tier one

Little prospect of gainful employment before normal pension age

Membership is enhanced to normal pension age and pension paid for life

Tier two

Little prospect of gainful employment within three years but is likely to before normal pension age

Membership is enhanced by 25% of what remains to normal pension age and pension is paid for life

Tier three

Little prospect of gainful employment straight away but is likely to be capable within three years

Benefits are not enhanced, they are paid for up to three years and then become deferred

Arrange a further assessment by a medical practitioner and review the case after eighteen months

Employer discretions

Each employer must have a discretions policy, review it regularly and make it available to their employees.

Employers must also send us a copy of their up to date policies within a month of making any changes.

Having a policy gives employers some control over the LGPS, especially if it's written to suits the needs of the organisation.

This section outlines the compulsory discretions and the main optional ones. There is much more information on our website.

The regulations

The titles of regulations we refer to in this section are:

- **LGPS 2013**: Local Government Pension Scheme Regulations 2013
- **LGPS 2014**: Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014
- **LGPS 2007**: Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007

Regulations

2013 & 2014:

www.lgpsregs.org/

2008:

http://timeline.lge.gov.uk/regidx.html

Guidance

Administration guides

Compulsory discretions

Your organisation must have a policy that covers these discretions.

Discretion	Regulation
Power to award additional pension: Employers can award pension to an employee who is active, or within six months of leaving due to redundancy or efficiency The policy must state whether the employer will consider this.	LGPS 2013 31
Shared cost APCs Employers can pay part or all of the cost of APCs (in addition to employees' rights to scAPCs for some absences) The policy must state whether the employer will consider this.	LGPS 2013 16 (2)(e) & (4)(d)
Power to allow flexible retirement Employers can allow flexible retirement as long as the employee reduced contractual pay (grade or hours). The policy must state whether the employer allows this and what its criteria are, including reduction in grade or hours.	LGPS 2013 30 (6)
Waiving actuarial reductions Pensions are reduced if members decide to take them early. The policy must state whether the employer will consider paying a strain charge to avoid some or all of these reductions.	LGPS 2013 30 (8)
Switching on the 85 year rule The 85 year rule protects some pensions from reductions that would apply if the member chose to retire early. But it doesn't apply before age 60. The policy must state whether the employer will consider paying a strain charge for an employee to benefit from their 85 year rule protection between 55 and 60.	LGPS 2014 18, Schedule 2, paragraph 2
Early payment of pension Members who stopped paying into the LGPS before April 2014 can only take their pension from 55 and before 60 with the former employer's consent. There can be a cost to the employer for this. The policy must state whether the employer will consider this, and if it will waive any reductions.	LGPS 2007 30 (2) 30A (3), (5)

Optional discretions

You may wish to cover other discretions in your policy.

Discretion	Regulation
LGPS membership aggregation Employees have a year from re-joining the LGPS (or from ceasing a concurrent account) to decide whether to keep deferred accounts separate from their active one. • Where the employee can elect to keep accounts separate, the discretion belongs to the employer who's liable for the deferred account • Where an employee can elect to combine accounts, the discretion belongs to the employer who's liable for the active account The policy must state whether the employer will consider extending this deadline.	22 (7)(b)
Transfer of pension from other schemes Employees have a year from first joining the LGPS in an employment to elect to transfer any other pensions into their LGPS account. The policy must state whether the employer will consider extending this deadline.	100 (6)
Other discretions are listed in LGA administration guides	

Regulations

2013 & 2014:

www.lgpsregs.org/

2008:

http://timeline.lge.gov.uk/regidx.html

Guidance

Administration guides

Other decisions

It's a good idea to find out how your organisation handles aspects of the LGPS that are not covered by discretions policies, but where other legislation is relevant, or there's a need to be organised, fair and consistent.

Contacts and authorisations

We need to know who your organisation allows to carry out certain tasks – it means we can be confident that what you send us is correct, was completed in line with your processes and properly authorised. And it means you can be confident that we won't process anything sent by someone in error. We regularly send contacts forms so you can keep us updated.

Employee contribution rates

When to revise employees' contribution bands – see page 15

Average & final WTE pay

You can do WTE pay calculations using months and days, or only days. WTE pay is on page 15.

WTE calculations are based only on pay that would have been pensionable in the LGPS 2008. The regulations aren't very detailed, so you'll need to know what your organisation treated as pensionable under those regulations.

Redundancy

If you want to allow members to use redundancy pay over the statutory amount to buy extra pension membership you must have a published policy to allow it. The policy is separate from your LGPS discretions policy.

Injury scheme – scheduled and designating employers

The types of employers listed in schedule 2 of the LGPS 2008 regulations need a policy regarding their injury scheme. Relevant regulations are The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011,

The regulations refer to LGPS regulations, but are not otherwise related to the pension scheme.

Regulations

2013 & 2014: www.lgpsregs.org/

2008: http://timeline.lge.gov.uk/regidx.html

Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011, timeline.lge.gov.uk/DiscPay/DiscPay11dx.htm

More information

www.local.gov.uk

Disputes (IDRP)

If an employee has a problem with their benefits, they should contact Pensions Services or their employer. Some queries, such those about contribution rates should be handled by their employer.

If an employee is still dissatisfied they can have their complaint reviewed under the scheme's two-stage Internal Disputes Resolution Procedure.

You should nominate a complaints officer to deal with any Stage 1 disputes raised with the employer.

IDRP stage one

Sending the dispute

Employee must send their dispute in writing, within six months of the decision they are disputing, to Hampshire County Council's Director of Corporate Services or to their employer – depending who the dispute is with. The employer must appoint an adjudicator.

Response

Employer or Director of Corporate Services responds to the employee. The response must be in writing and state:

- the legislation relied upon
- that if dissatisfied with the stage one decision, they have the right to go to stage two of the IDRP within six months of receiving the stage one decision
- that they can ask for help at any time from The Pensions Advisory Service

IDRP 1

Employee sends dispute pensions /employer

They respond in writing

Can go to stage 2 if dissatisfied

IDRP 2

Employee sends dispute to Appeals Panel

Decision given to employee

IDRP - stage two

Sending the dispute

Within six months of the stage one decision, the employee or representative sends the dispute with a copy of the stage one decision, to The Clerk to the Pensions Appeals Panel

The hearing

The panel is advised by the Head of Corporate and Legal Services, who is the County Council's Monitoring Officer, which is a statutory appointment under the Local Government and Housing Act 1989. The case is put to the panel in writing. The employee may also attend and be accompanied by a representative.

The response

The panel gives its decision to the employee in writing stating:

- the legislation relied upon and
- that if the dispute cannot be resolved after the intervention of The Pensions Advisory Service, they can apply for an adjudication to the Pensions Ombudsman within three years of the event which gave rise to it

Ill health retirement IDRPs

Many IDRP appeals concern ill health retirement. For example, a member is not awarded ill health retirement, is awarded a lower tier than they expected or is unhappy with how they were dealt with.

Process

The stage 1 appeal should go to the employer. The appeal can only be concerned with how the employer made the decision. The adjudicator must review the evidence and assess that decision.

A member may disagree with the medical opinion but if it was based on all the facts available, the appeal should be dismissed.

The adjudicator should have enough information to make a determination. They may seek an independent medical opinion from a different independent practitioner - particularly where there may be conflicting medical evidence.

Outcomes

The IDRP will produce a recommendation but it is for the employer to act on it and make a decision. If the IDRP finds that the ill health procedure was not followed properly it may recommend that it be repeated.

The member can move to stage 2 if unhappy with the outcome of stage 1, or if the employer does not respond to the stage 1 appeal.

Pensions Regulator
www.thepensionsregulator.gov.uk/

TPAS
www.pensionsadvisoryservice.org.uk/

Determinations
http://timeline.lge.gov.uk/Default.html

Or search *determinations* on the Pensions Regulator website

Contacts for disputes

The Clerk to the Pensions Appeals Panel, The Chief Executive's Department, Hampshire County Council, The Castle, Winchester, Hampshire; SO23 8UJ

The Pensions Advisory Service (TPAS), Pensions Ombudsman
11 Belgrave Road, London; SW1V 1RB
Telephone: 0845 601 2923

Pensions Ombudsman, 11 Belgrave Road, London; SW1V 1RB
Telephone: 0845 601 2923

Statutory guidance and appeal determinations are a useful way to understand the kinds of appeals members may make.

Accounts and returns

Group funding

Most employers in the Hampshire Pension Fund belong in one of two groups,

- scheduled and designating employers
- admitted employers

Most employers in the same group pay the same percentage of contributions as each other, except for some admitted employers with their own rate.

This structure means that decisions made by one employer can impact on others.

Employers tend to behave in similar ways and make similar decision, but should be aware of actions that could have an impact on other employers.

Please contact us if your organisation is considering anything out of the ordinary that could have an impact on the pension fund.

Contributions

Employee contributions are a percentage of pensionable pay. The rate is based on cumulative pensionable pay which may include APP. (page 15)

Employer contributions

The employer contribution rate is determined every three years by the pension fund's actuary, following a valuation. Employers are notified of their contribution rates. Two rates apply:

- **Future service rate**: A percentage of each contributing member's actual pay. The same rate applies to all of each employer's contributing employees
- **Past service rate**: An amount adjusted at each valuation, partly depending on the employer's pensionable payroll at the time. Some new employers will not have a past service rate, but may have a higher future service rate. The rate will be set this way until the next valuation.

Paying across contributions

It is a legal requirement that you pay over employee and employer contributions by the 19th of the month after they were deducted.

- All contributions, except AVCs, should be paid to the Hampshire Pension Fund by BACS
- Pay AVCs to the provider - Prudential, Zurich or Equitable Life - each month

Complete a remittance for each payment. Pensions Services sends you the spreadsheet each March to use from the following April.

Interest for late payment

LGPS regulations provide that where any contributions are still unpaid one month after Hampshire Pension Fund requested payment, interest can become due.

Interest is charged for every day from when the payment was due to when it is actually paid. The interest is compounded and applied to the late payment every three months.

The standard rate is 1% above the base rate, currently that published by the Committee of London Clearing Bankers or where there is more than one base rate, the lowest of them.

Paying

Contributions by 19th by BACS to:

Hampshire Pension Fund

Sort code:

55 81 26

Account:

88 23 57 42

AVCs

Pay to provider

Other payments

Extra or urgent estimates

We'll send you the estimate once you agree to the charge, and we'll send an invoice afterwards.

Employer strain charge

You may have to pay a strain charge for some retirements. This is because returns on the invested contribution won't cover pensions that are paid early, especially if the employee's pension will not be reduced.

You can find out what the strain charge is likely to be by requesting an estimate. We will send you an invoice if the retirement goes ahead.

You can make one payment or ask to pay over 36 months with interest, in six 6-monthly instalments. Email pensions.finance@hants.gov.uk if you want to pay over 36 months.

End of year

You need to send Pensions Services data for each member for each year ending 31 March. You also need to send a reconciliation statement to show that the contributions on your return match what you have paid. We send you a spreadsheet each March to fill in before the end of April.

How we use the information

- Reconcile payments
- Annual benefit statements, which should be as accurate as possible
- For HMRC
- Fund valuations to ensure an acceptable level of solvency
- Employer contribution rates - late or inaccurate returns can mean higher employer contributions
- From 2015, we will also use the information to credit members pension accounts with pension for that year

Pensionable pay examples

Cumulative pay

Annual APP
1 Paid each month
2 Paid each week
3 Paid each fortnight
Cumulative pay
4 Paid each month, includes sickness absence
5 Paid each month, with sickness absence & 50/50 membership
6 Paid each month, with sickness absence & 50/50 membership
Ill health retirement & death in service
7 Absence followed by ill health retirement
8 Absence followed by death in service

Whole time pay

WTE rates of pay
9 Part time hours
10 Part time hours
11 Part time, fewer than 52 weeks per year
12 Variable hours
13 Variable time
WTE averages
14 Whole time, part time or term time
15 Less than one year
16 With unpaid leave
WTE final pay
17 Variable time
18 Average of best three in 13

1 Annual APP - paid each month

This is how it's shown in LGA guidance. Base APP on the three months before the event:

- The event occurred in the middle of September
- Base APP on June, July and August, ignoring lump sum payments

Month	Pay	
Jun	£125	
Jul	£320	
Aug	£325	
Sep 1-15	£100	Normal pay until mid month, and then reduced
Sep 15-30	Reduced	
Oct	Reduced	

Add the months and divide by three - this gives APP for each month. Multiply that by 12 to get the annual rate. Add on recurring payments from the last 12 months.

$$\frac{\text{Jun} + \text{Jul} + \text{Aug}}{3} \times 12 = \text{Annual APP}$$

$$\frac{125 + 320 + 325}{3} \times 12 = £3{,}080$$

If pay varies depending on how many weeks are in each month, add up months and divide by the number of weeks in those months. Multiply by 52 to get the annual rate. Add on recurring payments from the last 12 months.

$$\frac{\text{Jun} + \text{Jul} + \text{Aug}}{\text{Number of weeks}} \times 52 = \text{Annual APP}$$

$$\frac{125 + 320 + 325}{13} \times 52 = £3{,}080$$

2 Annual APP - paid each week

Base APP on the 12 weeks before the pay period in which the event occurred.

- Pay dropped in week 13
- Base APP on weeks 1 to 12, ignoring any lump sum payments

Week	Pay	
1	£550	
2	£600	
3	£550	
4	£550	
5	£550	
6	£695	
7	£600	

Week	Pay	
8	£550	
9	£600	
10	£550	
11	£625	
12	£550	
13	-	Reduced / nil pay from start of week 13
14	-	

$$\frac{\text{Weeks } 1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11 + 12}{12} = \text{Weekly APP}$$

$$\frac{550+600+550+550+550+695+600+550+600+550+625+550}{12} = £580.83$$

Multiply the weekly APP by 52 or 52.14

580.83 x 52 = £30,203.16 **Or** 580.83 x 52.14 = £30,284.48

Add on recurring payments to get the annual rate of APP.

3 Annual APP - paid each fortnight

Base APP on the 12 weeks before the pay period in which the event occurred.

- The event is a pay drop which occurred in fortnight 39 – 40 due to absence
- Base APP on fortnights 27 – 28 to 37 – 38
- Ignore lump sum payments such as bonuses (this employee doesn't have any).

Fortnight	Pay
1 – 2	204.80
3 – 4	204.80
5 – 6	320.00
7 – 8	224.00
9 – 10	204.80
11 – 12	204.80
13 – 14	224.00
15 – 16	204.80
17 – 18	230.40
19 – 20	320.00
21 – 22	224.00
23 – 24	204.80
25 – 26	204.80
27 – 28	320.00

Fortnight	Pay
29 – 30	224.00
31 – 32	204.80
33 – 34	230.40
35 – 36	204.80
37 – 38	320.00
39 – 40:	
• 39	160.00
• 40	Reduced
41 – 42	Reduced
43 – 44	Reduced
45 – 46	Reduced
47 – 48	Reduced
49 – 50	Reduced
51 – 52	204.80

$$\frac{\text{Fortnights 27-28 to 37-38}}{12} = \text{Weekly APP}$$

$$\frac{320 + 224 + 204.8 + 230.4 + 204.8 + 320}{12} = £125.33$$

Multiply the weekly APP by 52 or 52.14

125.33 x 52 = £6,517.16 **Or** 125.33 x 52.14 = £6,534.71

If employee had recurring payments you would add them to this to get annual APP.

4 Cumulative pay

Paid each month, includes sickness absence

This employee's pay was reduced for part of the year due to sickness absence.

Month	Pensionable pay	Section	Notes
April	320	Main	
May	130	Main	
June	125	Main	
July	320	Main	
August	325	Main	
September	Reduced	Main	1 Sept to 28 Feb Pay reduced or nil due to sickness. APP based on June, July & August: $\frac{125 + 320 + 325}{3} \times 12 = £3,080$
October	Reduced	Main	
November	Reduced	Main	
December	Reduced	Main	
January	Reduced	Main	
February	190	Main	
March	130	Main	

Actual pay

Add together pay from all months and part months where pay was not reduced because of the absence.

Apr +	May +	Jun +	Jul +	Aug +	Feb +	Mar =	Actual
320 +	130 +	125 +	320 +	325 +	190 +	130 =	£1,540.00

APP

Add recurring payments from 12 months before drop in pay to annual APP (this employee doesn't have recurring payments). Apply annual APP to period of reduced or nil pay:

$\frac{\text{Annual APP}}{12}$	x	Reduced or nil pay period	=	APP: lost pay
$\frac{£3,080}{12}$	x	5 months	=	£1,283.33

Add actual pay to APP to get the year's cumulative pay:

Actual pay	+	Lost pay	=	Cumulative pay
1,540.00	+	1,283.33	=	£2,823.33

The employee was in the main section of the LGPS all year so 1/49 of £2,823.33 was added to their pension account.

5 Cumulative pay

Paid each month, with sickness absence & 50/50 membership

This employee's pay was reduced due to sickness absence; use this calculation at end of year or for a Notice of leaver form.

Month	**Pensionable pay**	**Section**	
April	850	Main	
May	950	Main	
June	875	Main	
July	830	Main	
August	930	50/50	
September	Reduced / nil	50/50	1 Sep to 31 Oct – reduced pay due to sickness. Base APP on June to August
October	Reduced / nil	50/50	$\frac{875 + 830 + 930}{3} \times 12 = £\ 10{,}540$
November	800	50/50	
December	850	Main	
January	950	Main	
February	830	Main	
March	790	Main	

Main section

Actual pay in main section

Add together pay from all months and part months where the employee was in the main section and pay was not reduced because of the absence.

Apr +	May +	Jun +	Jul +	Dec +	Jan +	Feb +	Mar	=	Actual pay
850 +	950 +	875+	830 +	850+	950 +	830 +	790	=	£6.925

APP in main section

Employee's pay was not reduced in the main section, so there's no APP.

50/50 section

Actual pay in 50/50 section

Aug	+	Nov	=	Actual pay
930	+	800	=	1,730

APP in 50/50 section

Apply annual APP to the reduced pay period that fell during membership of the 50/50 section.

$\frac{\text{Annual APP}}{12}$	x	Reduced or nil pay period	=	APP: lost pay
$\frac{£10{,}540}{12}$	x	2 months	=	£1,756.67

Cumulative pay

	Actual pay	+	APP: 1ost pay	=	Cumulative pay
Main section	6,925	+	n/a	=	£6,925
50/50	1,730.00	+	1,756.67	=	£3,486.67

What will be added to the employee’s pension account?

- **1/49** of £6925.00 from the main section
- **1/98** of £3846.67 from the 50/50 section

6 Cumulative pay

Paid each month, with sickness absence & 50/50 membership

This employee's pay was reduced due to sickness absence.

The employer put the employee back into the main section from the start of the nil pay period.

Month	Pensionable pay Actual	Pensionable pay APP	Section	Notes
April	625		Main	
May	600		Main	
June	630		Main	
July	680		50/50	
August	Reduced	636.67	50/50	1 Aug to 30 Nov – pay reduced. Monthly APP is based on May to July $\frac{600 + 630 + 680}{3} \times 12 = £7,640$
September	Reduced	636.67	50/50	
October	Nil	636.67	Main	
November	Nil	636.67	Main	
December	620		Main	
January	680		Main	
February	700		Main	
March	640		Main	

APP

If there were payments from the 12 months before the pay drop that could reasonably recur during the absence (there are none here), you would

- add recurring payments to annual APP
- divide by 12 so monthly rate includes recurring payments

Cumulative pay - main section

Add actual pay (where pay was not reduced because of absence) to APP (used where pay was reduced).

Apr + May + Jun + Oct + Nov + Dec + Jan + Feb + Mar = Cumulative pay
625 + 600 + 630 + 636.67 + 636.67 + 620 + 680 + 700 + 640 = £5,768.34

Cumulative pay – 50/50 section

Add actual pay (where pay was not reduced because of absence) to APP (used where pay was reduced).

Jul + Aug + Sep = Cumulative pay
680 + 636.67 + 636.67 = 1953.34

What will be added to the employee's pension account?

- **1/49** of £5,768.34 from the main section
- **1/98** of £1953.34 from the 50/50 section

7 Absence followed by ill health retirement

This employee was on reduced pay due to sickness for the whole of August and September, and then retired due to ill health.

Month	**Pensionable pay** Actual	APP	**Section**	
April	625		Main	
May	600		Main	
June	630		Main	
July	680		Main	
August	Reduced	?	Main	Reduced pay due to sickness absence 1 August to 30 September
September	Reduced	?	Main	
October	680		Main	
November	630		Main	
December	340		Main	Ill health retirement – last day 15 December

A) First, work out the APP for the reduced pay period of August and September.

The APP will be based on May, June & July.

APP for August and September is **£636.37** per month and is based on May, June and July. (The annual figure would have been £7,640.00.)

$$\frac{600+630+680}{3} = £636.67 \text{ per month}$$

B) On the Notice of leaver form, we ask for the employee's cumulative pay from 1 April to last day.

Cumulative pay from April to the last day is **£5,458.34**. Where APP was used is shown in *italics.*

Apr + May + Jun + Jul + *Aug* + *Sep* + Oct + Nov + Dec =	Cumulative pay
625 + 600 + 630 + 680 + *636.67* + *636.67* + 680 + 630 + 340 =	£5,458.34

C) We also ask for the annual rate of APP that we use to work out the enhancement to ill health pension.

For this employee, that will be **£7,786.67** and is based on September, October and November. Where APP was used is shown in *italics*.

$$\frac{636.67 + 680 + 630}{3} \times 12 =$$ **£7,786.67** annual rate of APP

8 Absence followed by death in service

This employee was on reduced pay due to sickness 15 August to 10 November. The employee did not return to work; they died in service on 10 November.

Month	**Pensionable pay** Actual	APP	**Section**	
April	1,050		Main	
May	1,080		Main	
June	1,025		Main	
July	1,030		Main	
August 1 to 14	540		Main	
15 to 31	Reduced	?	Main	Reduced pay due to sickness absence:
September	Reduced	?	Main	
October	Reduced	?	Main	15 August to 10 November
November 1 - 10	Reduced	?	Main	Last day 10 November

A) APP for each month and part month of the reduced pay period is based on May, June & July.

$$\frac{1{,}080 + 1{,}025 + 1{,}030}{3} \times 12 = £12{,}540 \qquad \frac{12{,}540}{12} = £1{,}045 \text{ APP a month}$$

APP for each month or part month is:

- August 14/31 x £1,045 = £471.94
- September £1,045
- October £1,045
- November 10/30 x £1,045 = £348.33

B) Cumulative pay from April to the last day is **£6,590.27**. Where APP was used is shown in *italics*:

Apr + May + Jun + Jul + Aug + Sep + Oct + Nov = Cumulative pay
1050 + 1080 + 1025 + 1030 + 540 + *471.94* + *1045* + *1045* + *348.33* = **£6,590.27**

C) The annual rate of APP that the death benefits will be based on is **£1,240.78.**

It's based on cumulative pay for August, September and October. Where APP was used is shown in *italics*:

$$\frac{540 + \mathit{471.94} + \mathit{1045} + \mathit{1045}}{3} \times 12 = \quad \textbf{£12,407.76} \text{ annual rate of APP}$$

Examples – WTE

Whole-time pay rates

9 WTE pay rates – part time hours

Annual part time pay	x	Hours	=	WTE
£9,000	x	$\frac{37}{18.5}$	=	£18,000

10 WTE pay rates – part time hours

Works 24 out of 37 hours a week

Annual part time pay	x	Hours	=	WTE pay
£12,183.60	x	$\frac{37}{24}$	=	£18,783.05

11 WTE pay rates – part time, fewer than 52 weeks per year

Works 15 out of 37 hours, 44 weeks a year including unpaid leave

Annual part time pay	x	Hours	x	Weeks	=	WTE pay
£5,400	x	$\frac{37}{15}$	x	$\frac{52}{44}$	=	£15,741.82

12 WTE pay rates – variable hours

Hourly pay	x	Full time hours	x	52.14	=	WTE
£8	x	37	x	52.14	=	£15,433.44

13 WTE pay rates – variable time

They may be paid for each task they do, a flat amount for the year, or both.

Actual pay counts as WTE pay, so it's what they are paid or likely to be paid in a year.

Flat rate per year	+	(Fees x number of payments)	=	WTE pay
£1,000	+	(40 x 3)	=	£1,120

Final pay for variable time employees is worked out differently from this average pay.

Whole time average pay

14 WTE average

Whole time, part time or term time

Average pay period	1 January to 31 December
WTE rate of pay	1 January to 31 March: £16,000 1 April to 31 December: £16,500

Worked out in months and days

	Months / 12	x	WTE =	Average pay
1 January to 31 March	3 / 12	x	16,000 =	4,000.00
1 April to 31 December	9 / 12	x	16,500 =	12,375.00
WTE average for the year =				£16,375.00
	Add on pensionable extras (as under LGPS 2008)			

Worked out in days

	Days / 365	x	WTE Pay =	Average pay
1 January to 31 March	91 / 365	x	16,000 =	3,989.04
1 April to 31 December	275 / 365	x	16,500 =	12,431.51
WTE average for the year =				£16,376.71
	Add on pensionable extras (as under LGPS 2008)			

Quick check: There should be 12 months (or very nearly after rounding days) or 365 days and average pay for the year should be between the rates of pay you started with.

15 WTE average

Less than one year

Pay period	1 January to 12 October
Annual WTE pay	1 January to 31 March: £18,500
	1 April to 12 October: £18,870

WTE average pay – months and days

	Months		÷ 12	x	WTE	=	Average
1 January to 31 March	3		÷ 12	x	18,500	=	4,625.00
1 April to 12 October	$\frac{12}{31}$	+ 6	÷ 12	x	18,870	=	10,043.71
							Pay for final 9 months & 12 days = £14,668.71

Work out the average				
Pay for the 9 months & 12 days	x 12 /	Months & days	=	WTE average
£14,668.71	x 12 /	(12/31 + 9 = 9.3871)	=	£18,751.75
				Add on pensionable extras (as under LGPS 2008)

WTE average pay – days

	Days / 365	x	WTE	=	Average
1 January to 31 March	90 / 365	x	18,500	=	4,561.64
1 April to 12 October	195 / 365	x	18,870	=	10,081.23
				Pay for final 285 days	£ 14,642.87

Work out the average				
Pay for the 285 days	x	Days	=	WTE average
£ 14,642.87	x	365 / 285	=	£18,753.15
				Add on pensionable extras (as under LGPS 2008)

Quick check: The WTE average should be between the WTE rates of pay you started with. Perhaps also check how many days or months and days you've got.

16 WTE average

A year with unpaid leave

Year	1 January to 31 December	
Annual WTE pay rates	1 January to 31 March	£16,000
	1 April to 15 August	£16,500
	16 August to 31 December	£17,000
Unpaid leave	4 October to 31 December	

WTE average, months & days

Pay excluding the break:	Months		÷ 12	x	WTE =	
1 January to 31 March		3	÷ 12	x	16,000 =	4,000.00
1 April to 15 August	$\frac{15}{31}$	+ 4	÷ 12	x	16,500 =	6,165.32
16 August to 3 October	$\frac{18}{31}$	+ 1	÷ 12	x	17,000 =	2,239.25
4 October to 31 December (2 months, 28 days) unpaid absence						
Pay excluding break =						£12,404.57

Whole-time average pay:						
12	÷	Months excl break	x	Pay excl break	=	WTE average
12	÷	(3/31 + 9 = 9.097)	x	12,404.57	=	£16,363.07
Add on pensionable extras (as under LGPS 2008)						

WTE average, days

Pay excluding break:	Days / 365	x	WTE =	
1 January to 31 March (91 days)	91 / 365	x	16,000 =	3,989.04
1 April to 15 August (137 days)	137 / 365	x	16,500 =	6,193.15
16 August to 3 October (49 days)	47 / 365	x	17,000 =	2,189.04
4 October to 31 December (89 days) unpaid absence				
Pay excluding break =				£ 12,371.23

Whole-time average pay:				
Days excluding break	x	Pay excluding break	=	WTE average
365 / 277	x	12,371.23	=	£16,301.44
Add on pensionable extras (as under LGPS 2008)				

Quick check: Have you got 12 months (or nearly after rounding) or 365 days including the absence? The year's WTE average should be between the rates of pay you started with.

17 WTE final pay

WTE final pay – variable time

Variable time employees don't have whole-time pay, so there's a special way to work out their final pay.

If the employee's flat rate of pay changed in any of the final three years, you will need to take an average, and then calculate final pay as below.

	Final year	Year before	Year before that	
Flat pay	£2,400	£2,700	£3,000	
Ad hoc pay	£600	£1,500	£2,800	
Average the last 3 years' ad hoc pay:				
600 +	1500 +	2800 +	/ 3 =	£1,633.33
Add average ad hoc pay to the best flat rate pay:				
Ad hoc pay	+	Flat rate pay	=	Final pay
£1,633.33	+	£3,000	=	£4,633.33

	Final year	Year before	Year before that	
Flat pay	Does not receive flat rate annual pay			
Ad hoc pay	£45.00	£459.00	£99.00	
Average the last 3 years' ad hoc pay:				
45.00 +	459.00 +	99.00	/ 3 =	£201.00
			Final pay =	£201.00

18 WTE final pay - average of best three in 13

Years before leaving	Pensionable pay
1	£13,160.90
2	£12,966.40
3	£12,774.80
4	£12,586.00
5	£12,400.00
6	£15,500.00
7	£15,270.90
8	£15,045.20
9	£14,607.00
10	£14,181.60
11	£13,768.50
12	£13,367.50
13	£12,978.10

This is how to calculate final WTE pay if an employees' pay was frozen or reduced by their employer. You can ask us for a spreadsheet for this - we update it each April so please don't use older versions.

Before you begin, you need average WTE pay for each of the 13 years before the leaving date. Years run from 1 April to 31 March.

Take an average of each 3 year period, and then apply pensions increase to it. The pensions increase date will be the 1 April straight after the three year period – for example a PI date of 1 April 2015 would apply to 2013 - 2015.

Years before leaving	WTE pay	3 year average	PI date	PI	Average WTE pay
13	£12,978.10				
12	£13,367.50				
11	£13,768.50	£13,371.37	01/04/YY	1.32138931	£17,668.78
10	£14,181.60	£13,772.53	01/04/YY	1.28664977	£17,720.43
9	£14,607.00	£14,185.70	01/04/YY	1.24193993	£17,617.79
8	£15,045.20	£14,611.27	01/04/YY	1.19532236	£17,465.17
7	£15,270.90	£14,974.37	01/04/YY	1.13840225	£17,046.85
6	£15,500.00	£15,272.03	01/04/YY	1.13840225	£17,385.72
5	£12,400.00	£14,390.30	01/04/YY	1.10417289	£15,889.38
4	£12,586.00	£13,495.33	01/04/YY	1.049594	£14,164.62
3	£12,774.80	£12,586.93	01/04/YY	1.027	£12,926.78
2	£12,966.40	£12,775.73	01/04/YY	1	£12,775.73
1	£13,160.90	£12,967.37	01/04/YY	0	£12,967.37

Highest 3 in 10 average	**£17,720.43**
3 in 10 average without PI	**£13,772.53**
PI date	**The 1 April immediately after year 10**

This is how each three year average was worked out.

$$\frac{\text{Year + Year + Year}}{3} = \text{3 year average}$$

Years 13 + 12 + 11	$\frac{12{,}978.10 + 13{,}367.50 + 13{,}768.50}{3}$	= £ 13,371.37
Years 12 + 11 + 10	$\frac{13367.50 + 13768.50 + 14181.60}{3}$	= £ 13,772.53
Years 11 + 10 + 9	$\frac{13{,}768.50 + 14{,}181.60 + 14{,}607.00}{3}$	= £ 14,185.70
Years 10 + 9 + 8	$\frac{14{,}181.60 + 14{,}607.00 + 15{,}045.20}{3}$	= £ 14,611.27
Years 9 + 8 + 7	$\frac{14{,}607.00 + 15{,}045.20 + 15{,}270.90}{3}$	= £ 14,974.37
Years 8 + 7 + 6	$\frac{15{,}045.20 + 15{,}270.90 + 15{,}500.00}{3}$	= £ 15,272.03
Years 7 + 6 + 5	$\frac{15{,}270.90 + 15{,}500.00 + 12{,}400.00}{3}$	= £ 14,390.30
Years 6 + 5 + 4	$\frac{15{,}500.00 + 12{,}400.00 + 12{,}586.00}{3}$	= £ 13,495.33
Years 5 + 4 + 3	$\frac{12{,}400.00 + 12{,}586.00 + 12{,}774.80}{3}$	= £ 12,586.93
Years 4 + 3 + 2	$\frac{12{,}586.00 + 12{,}744.80 + 12{,}966.40}{3}$	= £ 12,775.73
Years 3 + 2 + 1	$\frac{12{,}774.80 + 12{,}966.40 + 13{,}160.90}{3}$	= £ 12,967.37