

# Assumed pensionable pay (APP) and full-time equivalent (FTE) pay

## Assumed pensionable pay (APP)

### Application

APP is dropped into a member's pension account for an employment (instead of any pensionable pay actually received in respect of that employment) when, and for the duration of which, any of the following apply:

- A member is on reduced contractual pay or nil pay as a result of sickness or injury;
- A member is on relevant child-related leave (ie, ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) and the pensionable pay they receive on a given day is not higher than the APP which they would otherwise have been treated as receiving; or
- A member is on reserve forces service leave (if the employee, although eligible to be in the Armed Forces Pension Scheme during that period, has elected to remain a member of the LGPS for that period).

Where APP applies:

- employees' contributions are payable on the pensionable pay received, except where a member is on reserve forces service leave (in which case, employees' contributions are payable on the APP that applies. However, the employee contributions on the APP figure are not deducted via the employer's payroll but, instead, they are usually deducted by the MoD from the reservists pay which they pay to the person. The contributions are then paid over to the Fund by the MoD).
- employers' contributions are payable on the APP. Note, however, that during reserve forces service leave the scheme employer does not directly pay employer contributions on the APP (and so there is no employer contribution to deduct via the payroll). Instead, the employer contributions on the APP figure are remitted by the MoD direct to the Fund.

If APP applies for any member in the course of a year, the value of that APP must be included in the employer's year-end data submission, ie:

- APP credited in respect of an employment whilst in the main section of the scheme should be included in the main section cumulative pensionable pay figure for that employment for the Scheme year; and
- APP credited in respect of an employment whilst in the 50/50 section of the scheme should be included in the 50/50 section cumulative pensionable pay figure for that employment for the Scheme year.

An employer must also be capable of providing APP to the Fund on request as there are other circumstances where the value of APP will need to be known, such as where a member retires on ill-health grounds, or where a member dies in service.

### Calculation

For a monthly paid member, APP is calculated by:

- calculating the average of the pensionable pay for that employment in the three complete monthly pay periods prior to the one in which APP first applies (this figure should *include* any APP previously credited in and relating to those pay periods, but any pensionable lump-sum payments should be *removed*);
- grossing that average up to an annual figure; and
- adding back in any pensionable lump-sum payments where there is a reasonable expectation that such a payment would be paid on a regular basis.

Note that if the pensionable pay in the period has been reduced as a result of an absence due to a trade dispute or an absence authorised by the employer, the reduction is to be ignored when calculating the average pensionable pay.

For a weekly paid member, the same applies but instead of three complete months, you use 12 complete weeks instead.

If there are less than three months (or 12 weekly) pay periods in relation to that employment, calculate the average from whatever number of complete periods are available.

**Employers are strongly advised to ensure their payroll's APP solution is consistent with the content of section 4.2 of the Payroll Guide. If employers have any queries or questions on APP and its application, they should contact the Fund**

## Full-time equivalent (FTE) pay – 2008 scheme definition

### Application

Individuals who were members of the LGPS prior to 1 April 2014 retain a 'final pay' link in respect of their pre-April 2014 Scheme membership (provided they do not have more than a five-year break in active membership of a public service pension scheme). Employers will therefore need to be able to calculate and provide a full time equivalent pay figure under the definition used in the old scheme.

As well as final pay needing to be provided where a member leaves (or opts out of membership) and is having their pension calculated, a notional 'final pay' figure needs to be provided to the Fund at each year-end in order that:

- the Fund can provide the member with an estimate of the pension they can expect when they retire; and
- an assessment can be made as to whether any members have breached any tax restrictions relating to the value of their pensions benefits.

Furthermore, where a member was an active member on 31 March 2012 and was within ten years of their normal retirement age on 1 April 2012, a final pay figure will be required when the person ceases active membership of the scheme (or at their normal pension age under the old scheme – usually age 65 – if they carry on contributing to the scheme after then) in order to calculate any 'underpin' that may apply.

Basically, such a member would be entitled to receive a pension for their post-March 2014 benefit accrual based on the better of:

- what they have earned under the new career average benefits structure; and
- what they would have under the old final pay benefits structure.

Where the underpin applies to a member, the individual's final pay will be needed for their post-March 2014 pensions calculations too.

### Calculation

The final pay/notional final pay for the above purposes is usually calculated on the pay the member earned in the previous 12 months and is a full time equivalent figure, meaning that employers will need to up-rate this to a full-time equivalent figure in cases where the member was employed on a part-time basis during the calculation period.

The final pay figure is also based on a different definition of pay than is used for career average purposes and so whilst it will include elements such as contractual overtime, *non-contractual* overtime is not to be included in the figures.

If an employee's pay in the final pay period dropped due to sickness or due to the member being on relevant child-related leave, APP does not apply for these purposes – instead the full-time equivalent pay the member would have otherwise received should be used.

**Employers are strongly advised to ensure their FTE pay calculations are consistent with the content of section 6.1 of the Payroll Guide. If you have any queries or questions on APP and its application, please contact the Fund.**