

YEAR END CALCULATION OF CARE PAY

I am always aware that some employers will have questions and issues around the calculation of CARE pay and in particular, when to include Assumed Pensionable Pay. **Given that the CARE pay is used to calculate the value of your scheme member's pension benefits it is vital that this is calculated correctly**, so I feel it is worthwhile revisiting this topic.

Calculation of CARE Pay

- This is the pensionable pay for the period that the member was in the LGPS during the period 1st April (or date joined LGPS if later) to 31st March.
- This must be calculated on the basis of the post 1st April 2014 definition of pensionable pay, meaning that any non-contractual overtime **must be included** in this calculation.
- If the member is part time or term time, the figure must be calculated on the **actual pay received** and not the full time equivalent pay, unlike the final pay calculation.
- If the member has more than one post (excluding Clerk to Governor posts), then a total pay, based on all the posts must be used.

Assumed Pensionable Pay

- Any periods of reduced or no pay as a result of sickness must be replaced with the Assumed Pensionable Pay (APP) element relating to that period.
- Any periods of reduced pay as a result of child related leave (i.e. ordinary maternity, paternity or adoption leave and any **paid** additional maternity, paternity or adoption leave) must be replaced with the APP element relating to that period.
- Any periods of no pay as a result of approved unpaid leave or unpaid additional maternity leave must be excluded from this calculation – APP **would not apply** in these circumstances.

How is APP Calculated?

APP is calculated as an annual rate then applied to the relevant period as a proportion of that rate.

For monthly paid employees calculate the average of the pensionable pay for the 3 complete pay periods prior to the relevant event after removing any pensionable lump sum payments. Gross up to an annual figure. If 3 complete pay periods do not exist use whatever number of complete periods are available.

The relevant event is the date on which the employee drops to reduced contractual pay or nil pay due to sickness or injury, or reduced or nil pensionable pay during relevant child related leave* (i.e. ordinary maternity, paternity or adoption leave and any paid additional maternity, paternity or adoption leave), or the date the member commenced reserve forces service leave.

* this does NOT include the unpaid additional maternity, paternity or adoption leave available at the end of relevant child related leave; this is to be treated as unpaid leave of absence and no APP accrues during that period.

For more information on Assumed Pensionable Pay including some example calculations, please see the link below to our website and the section Completing the pension scheme leavers form (ePen3) which includes a section on APP. Alternatively, feel free to contact us.

<https://www.leicestershire.gov.uk/jobs-and-volunteering/local-government-pensions/advice-for-employers/completing-the-pension-scheme-leavers-form-epen3>

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