

Pension Pointers

Pension Pointers is a series of factsheets covering a range of topics to assist employers with the administration of the Local Government Pension Scheme in Berkshire.

Final Pay



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Local Government
Pension Scheme

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THE ROYAL COUNTY OF
BERKSHIRE
PENSION FUND

What is Final Pay?

Scheme members who have benefits built up under the LGPS prior to 1 April 2014 have certain protections under the Final Salary scheme carried over in the new CARE Scheme. As a result employers are required to provide a final pay figure on ceasing membership of the LGPS.

In most instances a member's final pay will be the earnings on which pension contributions have been deducted in respect of the last 365 days of employment. If there has been a break during that period a reciprocal of 365 is used to bring the figure back to a full year.

The final pay figure used to calculate pension benefits is the **Full Time Equivalent (FTE) value**. Therefore, in the first instance any part-time hours can be ignored and the pay has to be calculated in the same way as an equivalent full-time employee.

Basic Final Pay Calculation = months/days X FTE salary ÷ 12

Protected Final Pay - "best of the last 3 years"

In certain cases where one of the previous two 365 day final pay periods yields a higher final pay figure, one of those figures can be used as the chosen final pay, hence the phrase '**the best of the last three years**'.

Example: A member leaves their employment on 31 March 2017.

Final Pay Period	From	To	Final Pay
1	1 April 2016	31 March 2017	£22,250
2	1 April 2015	31 March 2016	£23,850
3	1 April 2014	31 March 2015	£22,000

Out of the last three years, year two yields the highest final pay figure. Therefore **£23,850** will be used as the member's Final Pay at date of leaving. An inflationary increase is then applied to the previous year's final pay to reflect cost of living rises.



Final Pay Calculation Example 1

A member's leaves the LGPS on 31 December 2016.

Their final pay period would be from 1 January 2016 to 31 December 2016 (last 365 days of their employment).

Their full-time equivalent salary history is as follows for the last year of their employment:

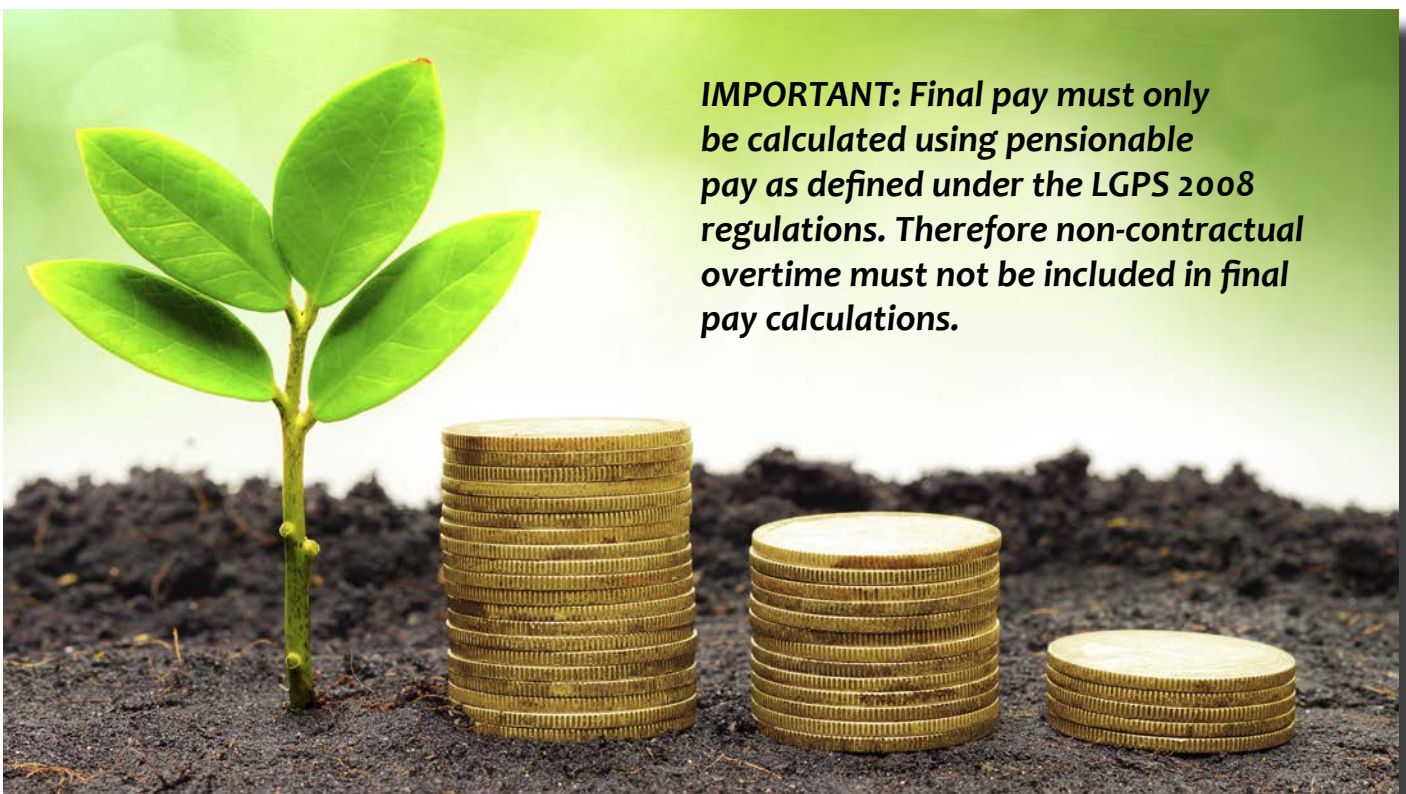
Basic Salary (per annum)

1 January 2016 £22,000
1 April 2016 £25,000

Their final pay is calculated as follows:

DATE FROM	DATE TO	APPROPRIATE FRACTION (months and days)	Full-time Equivalent Salary	TOTAL
1 January 2016	31 March 2016	3 (months) / 12	£22,000	£5,500.00
1 April 2016	31 December 2016	9 (months) / 12	£25,000	£18,750.00
TOTAL Final Pay				£24,250.00

Therefore in this example the member's final pay at 31 December 2016 would be **£24,250.00**.



Final Pay Calculation Example 2

A member leaves the LGPS on 14 June 2016.

Their final pay period would be from 15 June 2015 to 14 June 2016 (last 365 days of their employment).

Their full-time equivalent salary history is as follows for the last year of their employment (They also receive a London Weighting Allowance which is shown separately below):

Basic Salary (per annum)

1 April 2015	£35,440
1 April 2016	£36,110

London Weighting (per annum)

1 April 2015	£770.00
1 April 2016	£850.00

Their final pay would be calculated as follows:

DATE FROM	DATE TO	APPROPRIATE FRACTION (months and days)	FULL-TIME Equivalent SALARY	TOTAL
Basic Salary				
15 June 2015	31 March 2016	9 (months) + 16/30 / 12	£35,440.00	£28,155.11
1 April 2016	14 June 2016	2 (months) + 14/30 / 12	£36,110.00	£7,422.61
TOTAL				£35,577.72

London Weighting				
1 January 2016	31 March 2016	9 (months) + 16/30 / 12	£770.00	£611.72
1 April 2016	31 December 2016	2 (months) + 14/30 / 12	£850.00	£174.72
TOTAL				£786.44
TOTAL Final Pay				£36,364.16

In this example the member's final pay at 31 December 2016 would be **£36,364.16**.

Final Pay Calculation Example 3

An employee joins the LGPS on 1 February 2016 and subsequently leaves their employment on 6 December 2016.

Despite their pension membership being less than 12 months within the Berkshire Pension Fund a Final Pay figure is still required.

A part-year Final Pay figure is calculated in the first instance and then uprated to reflect a whole year.

Final Pay period from **1 February 2016** to **6 December 2016**

The member's full-time equivalent salary history is as follows:

Basic Salary (per annum)

1 February 2016	£18,936.00
1 April 2016	£19,500.00

DATE FROM	DATE TO	APPROPRIATE FRACTION (months and days)	FULL-TIME Equivalent SALARY	TOTAL
Basic Salary				
1 February 2016	31 March 2016	2 (months) / 12	£18,936.00	£3,156.00
1 April 2016	6 December 2016	8 (months) + 6/31 / 12	£19,500.00	£13,314.52
TOTAL				£16,470.52

We now need to uprate this part-year final Pay figure to reflect a whole year. To do this please use days in your calculation as follows:

Part-year final pay figure / part year days X 365 (days)

$£16,470.52 / 309 \times 365 = £19,455.47$	
TOTAL Final Pay	£19,455.47

In this example the member's final pay at 6 December 2016 would be **£19,455.47**.

Notification of Final Pay

When completing form LGS15C please include the final pay details for the member in the following section. Please complete this section in all cases.

LGPS 2008 INFORMATION PENSIONABLE PAY <i>(Please complete in all cases)</i>			
FINAL PAY	£ 1	(Please quote Full Time Equivalent value if Part-Time)	
If Best of the Last 3 Years please confirm final pay period used:		Date From: _____	To: _____ 2
ACTUAL ANNUAL SALARY AT DATE OF LEAVING	£ 3	FTE (if Part-Time)	£ 4

1	Final Pay	Final Pay figure based on last 365 days of employment.
2	Best of the last 3 years	'Best of the last 3 years' - If a previous final pay figure has been chosen please confirm the period the final pay relates to.
3	Actual annual salary at date of leaving	This is the actual annual pensionable salary the member was earning at their date of leaving employment.
4	FTE (if Part-Time)	This is the actual full-time equivalent annual pensionable salary the member was earning at their date of leaving employment.

Final Pay Calculation Sheet

If you wish you can also complete the Final Pay calculation sheet which can be found on page 3 of the LGS15C Leaver notification. Completion of the Final Pay breakdown sheet is not compulsory but may be of assistance to employers when completing form LGS15C.

LOCAL GOVERNMENT PENSION SCHEME 2014 – FINAL PAY CALCULATION SHEET				
<i>Please note completion of this sheet is optional not compulsory</i>				
MEMBER NAME				
EMPLOYER		DATE OF LEAVING		
FINAL PAY PERIOD:		DATE FROM	DATE TO	
SECTION A - BASIC SALARY				
DATE FROM	DATE TO	ANNUAL SALARY	APPROPRIATE FRACTION (in months and days)	TOTAL
				£
				£
				£
				£
TOTAL A				£
SECTION B - PENSIONABLE ADDITIONS (Bonus, London Weighting etc.)				
DATE FROM	DATE TO	ANNUAL SALARY	APPROPRIATE FRACTION (in months and days)	TOTAL
				£
				£
				£
TOTAL B				£

Calculating Pension Based on Final Pay

If a member has LGPS membership prior to 1 April 2014 their pre 1 April 2014 pension is calculated using the following formulas:

LGPS membership built up to 31 March 2008 based on 1/80th of Final Pay:
ANNUAL PENSION
Total pre 1 April 2008 Membership / 80 x Final Pay
LUMP SUM
Total pre 1 April 2008 Membership x 3/80 x Final Pay
LGPS membership built up from 1 April 2008 to 31 March 2014 based on 1/60th of Final Pay:
ANNUAL PENSION
Total post 1 April 2008 Membership / 60 x Final Salary
LUMP SUM
NIL but option to exchange pension for tax-free cash on retirement (subject to HMRC limits)

The Final Pay figure used in the calculation of the member's pre 1 April 2014 pension benefit is based on their future Final Pay figure at date of leaving the LGPS.

Glossary of Pension Terms

CARE	Career Average Revalued Earnings Scheme
FTE	Full-Time Equivalent
Final Pay	Average FTE salary over the last 365 days of employment used to calculate pre 1 April 2014 pension benefits under the Final Salary Pension Scheme.
LGPS	Local Government Pension Scheme
LGS15C	Leaver notification sent to the pensions team
Pensionable Pay	Elements of pay from which pension contributions are deducted



Contact Information

If you have any queries regarding the calculation of final pay please contact us on **01628 796 668**.
Alternatively you can e-mail info@berkshirepensions.org.uk

Where can I find out more?

Royal County of Berkshire Pension Fund Website:

www.berkshirepensions.org.uk

LGPS Regulations Berkshire Pension Fund Website:

www.lgpsregs.org

LGPS Payroll Guide to the 2014 Scheme:

<http://www.lgpslibrary.org/assets/gas/ew/Pv3.9c.pdf>

LGPS HR Guide:

<http://www.lgpslibrary.org/assets/gas/ew/HRv3.11c.pdf>

National LGPS Member Website:

<https://www.lgpsmember.org>

