

THE LONDON BOROUGH OF SOUTHWARK PENSION FUND

Understanding how Pensionable Pay and pensionable service is calculated prior to 1 April 2014

Also includes how to calculate reckonable service for part-time and term-time only employees and what is deemed as Pensionable Pay

YOUR PENSION CONNECTION



Southwark Pension Services
160 Tooley Street



This is a summary of Southwark Council's process of calculating final pay and service for members in the Fund

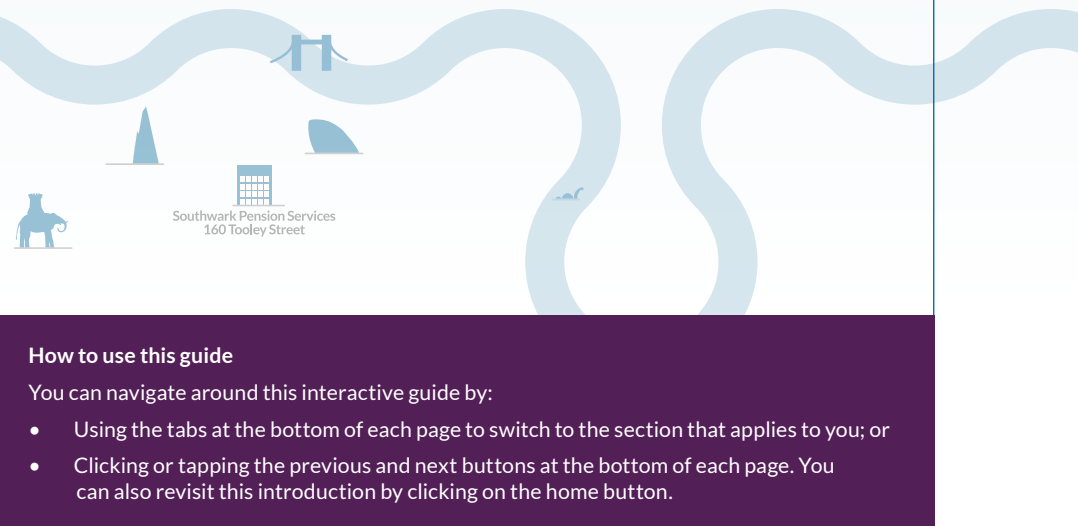
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In addition to the guide, the Fund website www.southwarkpensions.co.uk contains more information. Southwark Pension Services are also here to help. You can contact them on:

✉ lbspensions@southwark.gov.uk

☎ 020 7525 4924

🏠 Southwark Pension Services
Southwark Pension Fund
PO Box 7606
WS10 1EJ



How to use this guide

You can navigate around this interactive guide by:

- Using the tabs at the bottom of each page to switch to the section that applies to you; or
- Clicking or tapping the previous and next buttons at the bottom of each page. You can also revisit this introduction by clicking on the home button.



To fully understand how final pay is calculated, it helps to have a basic understanding as to how service was calculated pre 1 April 2014 (note that service is often also referenced as membership). By service, we mean pensionable service e.g. contracted working hours.

According to Regulation 7(3), part-time members accrue membership as an appropriate fraction of the duration of membership they had.

Regulation 7(4) states that the numerator of that fraction is the number of contractual hours the member worked during part-time service and its denominator is the number of contractual hours of that particular employment if it was a whole time basis.

How part-time service is calculated



Here's an example:

Mr Joe Blogs was contracted to work 18.5 hours per week. The full time equivalent working hours of this post was 37 hours per week. Joe therefore worked $18.5 \div 37$ hours which equals to 50% of the full time equivalent hours of that post.

$$18.5 \text{ hours per week} \div 37 \text{ hours per week} \times 100 = 50\%$$

If Joe worked 20 years and earned £24,000 based on $18.5 \div 37$ hours per week (50%) his actual service would be:

$$50\% \text{ of } 20 \text{ years} = 10 \text{ years}$$

An example of a benefit calculation in the pre 2008 scheme based on the above hours would be:

$$10 \text{ years} \div 80 \times £24,000 = £3,000 \text{ pension per annum}$$

BUT if we scaled down the pay to 50% of the whole time equivalent salary and not the service, the calculation would be:

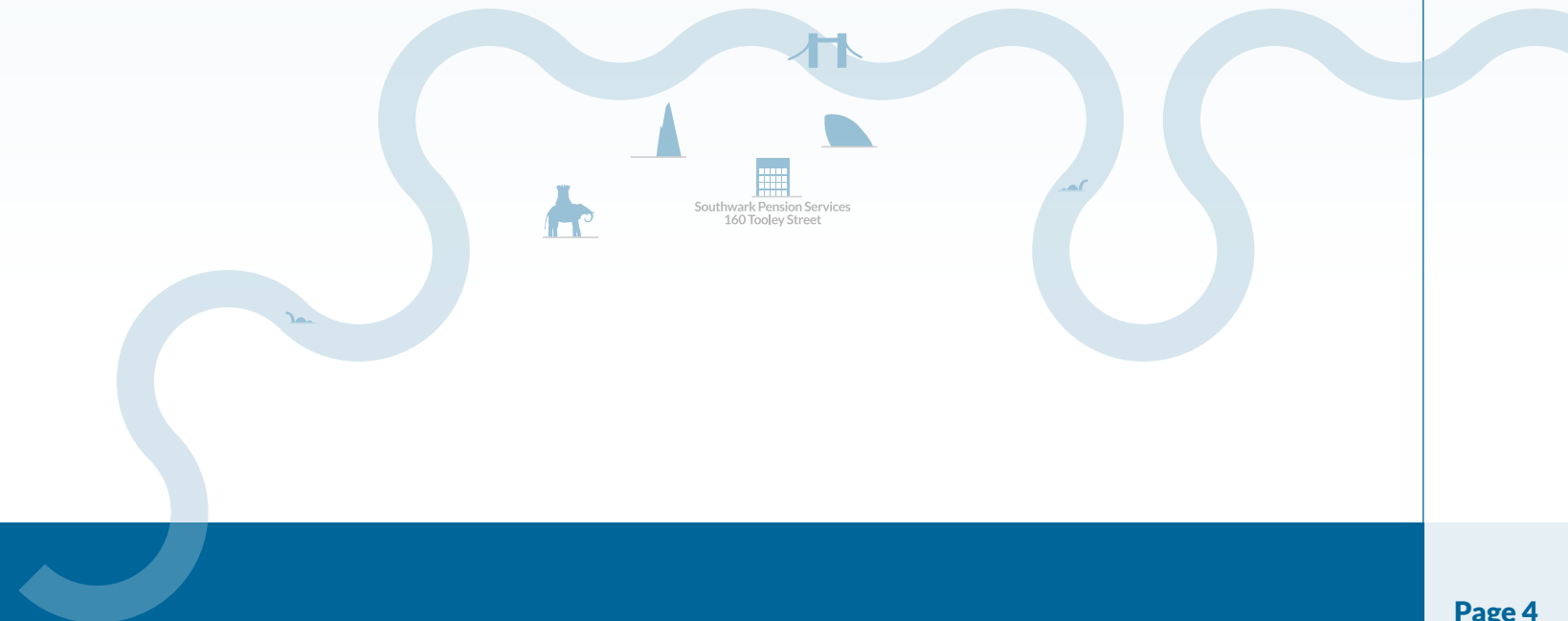
$$20 \text{ years} \div 80 \times £12,000 = £3,000 \text{ pension per annum}$$

The answer as you see remains the same.

Why do we use the whole time equivalent salary when we do a final pay calculation?

The basic answer

- Basically in reality, part-time employees don't always remain on the same hours throughout their membership and don't always stay in the same sort of employment or with the same employer.
- School staff, for example, often switch schools and change hours. Due to this, the only way to ensure that a benefit commensurate with the hours worked (and contributions received) was to convert both the membership to part-time and pay to its whole time equivalent of the post.
- So, you see for part-time employers it's so important to ensure that we get the working hours correct on the pension admin system.



- If the same person moved to another department within the authority, worked $18.5 \div 35$ hours, multiply this by 100 to get the %, this would need to be recorded as 53% of the whole time equivalent post therefore accruing more reckonable service annually than the previous position worked.



$$18.5 \text{ hours per week} \div 35 \text{ hours per week} \times 100 = 53\%$$

- To complicate this further and to ensure fairness, term time only members would need to be recorded using their part-time hours based on the whole time equivalent hours of the post and then the number of weeks they work.
- For example, a term time only employee worked $18.5 \div 35 \times 100$ to get the % which in this case would be 53%. Then we need to multiply by the number of weeks worked by the number of weeks in the year $44/52 = 44.85\%$.

$$18.5 \text{ hours per week} \div 35 \text{ hours per week} \times 100 = 53\%$$

$$44 \text{ weeks worked} \div 52 \text{ weeks in the year} = 44.85\%$$

Note it's possible that each education establishment has different number of weeks worked so care must be taken in calculating the correct TTO percentage!



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Here's an example:

Joe Blogs worked the following hours in 2012. What was their accrued reckonable service for this period?

- 1 January 2012 to 31 March 2012 – 18.5 hours per week (WTE hours are 37)
- 1 April 2012 to 31 August 2012 – 15 hours per week (WTE hours are 36)
- 1 September 2012 to 31 December 2012 – Full time

To calculate manually, you'll need to use a day counter and a calculator to first establish the qualifying service before we can calculate the reckonable service.

Period	Hours worked/ WTE	Convert hours to % of the WTE post	Number of days in period
1 January 2012 to 31 March 2012	18.5/37	50%	9
1 April 2012 to 31 August 2012	15/36	42%	153
1 September 2012 to 31 December 2012	Full time	100%	122
Total number of days in combined period			365 days – this is what we know as qualifying service

Now we need to calculate the reckonable service.

Period	Hours worked/ WTE	Convert hours to % of the WTE post	Number of days in period	Multiply days by the part-time %
1 January 2012 to 31 March 2012	18.5/37	50%	9	$90 \times 50\% = 45$ days
1 April 2012 to 31 August 2012	15/36	42%	153	$153 \times 42\% = 64$ days
1 September 2012 to 31 December 2012	Full time	100%	122	122 days
Total number of reckonable days			365 days – this is what we know as qualifying service	231 days reckonable service



IDENTIFYING PENSIONABLE PAY

Now that we have nailed how to calculate the part-time percentages, which sections of the scheme are the following payments deemed as Pensionable Pay elements?

Monthly Amount	Pay element	1 April 2008 – 31 March 2014	1 April 2014 (CARE)
£20,000	Basic salary		
£250	Lease car		
£800	Contractual overtime		
£200	Non-contractual overtime		
£75	Travelling expenses		
£212	First aid allowance		
£200	W/E standby		
£150	JNC*		
£400	Pay in lieu of notice		
£150	Holiday pay		

Monthly Amount	Pay element	1 April 2008 – 31 March 2014	1 April 2014 (CARE)
£20,000	Basic salary	Yes	Yes
£250	Lease car	No	No
£800	Contractual overtime	Yes	Yes
£200	Non-contractual overtime	No	Yes
£75	Travelling expenses	No	No
£212	First aid allowance	Yes	Yes
£200	W/E standby	Yes	Yes
£150	JNC*	*Yes	*Yes
£400	Pay in lieu of notice	No	No
£150	Holiday pay	No	No

* JNC benefits are pensionable under both 08 and 14 Regulations but only effective from 1 April 2019.



FINAL PAY CALCULATIONS FOR PRE 2010 PENSIONABLE SERVICE

Assuming the members' last day of service is 31 August 2020, we need to go back over the last 365 days and capture any pay awards. Note we use the full time equivalent rates of pay and take all contractual extra payments.

In this scenario the member did not receive any contractual extra payments.

Salary history:

- April 2018 FTE Salary **£21,000**
- April 2019 FTE Salary **£22,500**
- April 2020 FTE Salary **£23,000**
- We need to go back to 1 September 2019 to establish the starting point in terms of the Pensionable Pay and capture any pay increases that have occurred to the last day of service.

Let's look at a basic final pay calculation



Name:	Mr Jo Bloggs	CURR CONTS		MEMBERSHIP	
Pay No.	12345678	CURR NI		PREV PR PI DATE	
LDS	31/08/2020	SERVICE BREAK		BEN CALC'D	
NI No:	AB123456C	HOURS CHECK		PEN 3 SENT	
PEN 44		B/M CERTS		AVC NOTICE	
		ADDRESS		POSS IFA	

PR Period	Annual rate [formula total]	Monthly rate [formula]	No. of complete months	No. of days in a 28 day mth	No. of days in a 29 day mth	No. of days in a 30 day mth	No. of days in a 31 day mth	Formula Calc.	Check Total of months in calc. [formula]
01/09/2019 to 31/03/2020	£22,500.00	£1,875.00	7			0	0	£13,125.00	
01/04/2020 to 31/08/2020	£23,000.00	£1,916.67	5			0	0	£9,583.33	
	£0.00	£0.00	0			0	0	£0.00	
	£0.00	£0.00	0					£0.00	
	£0.00	£0.00	0					£0.00	
	£0.00	£0.00	0					£0.00	
[Formula totals]			12	0	0	0	0	£22,708.33	12

Task Updated		Task Updated	
Benefit Processed		Benefit Checked	
Date		Date	

PR Checked	
CA1886 Checked	

Remember...



- As a general rule, pre 2014 Pensionable Pay was deemed anything that formed part of the member's contract.
- For example, a male member had to work four hours contractual overtime a week as this was compulsory and was written into his contract of employment. This would be deemed pensionable in the pre 2014 final pay.
- However any additional overtime above this amount wouldn't be deemed as pensionable and so wouldn't count in the final pay calculation. As you know, both contractual and non-contractual overtime is pensionable in the CARE scheme.



There's more help out there if you need it. There are a number of organisations that can provide you with help and advice about your pension savings. Some of these are listed below:

The Pensions Advisory Service (TPAS)

TPAS is an independent voluntary body that provides free help and advice to members and other beneficiaries of occupational and personal pension schemes. TPAS is available at any time to assist members and beneficiaries with any pension query they may have or any difficulty they have failed to resolve with the trustees or administrators of a scheme.

0800 011 3797

You can complete an enquiry form at www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form

www.pensionsadvisoryservice.org.uk

lbspensions@southwark.gov.uk

The Pensions Ombudsman (TPO)

TPO deals with all complaints and disputes. If TPAS guidance cannot resolve your problem, you can make a formal application to TPO setting out your complaint. Please note, anyone using TPO's 'Early Resolution Service' will not be expected to have first used the LGPS' IDRPs if the parties are happy with that.

TPO is impartial and looks at all the facts without taking sides. It has legal powers to make decisions that are final, and binding and enforceable in Court. There is no charge for using TPO as it is funded by grant-in-aid, paid by the DWP.

0800 917 4487

10 South Colonnade
Canary Wharf
London
E14 4PU

www.pensions-ombudsman.org.uk

Local Government Pension Scheme (LGPS) regulations

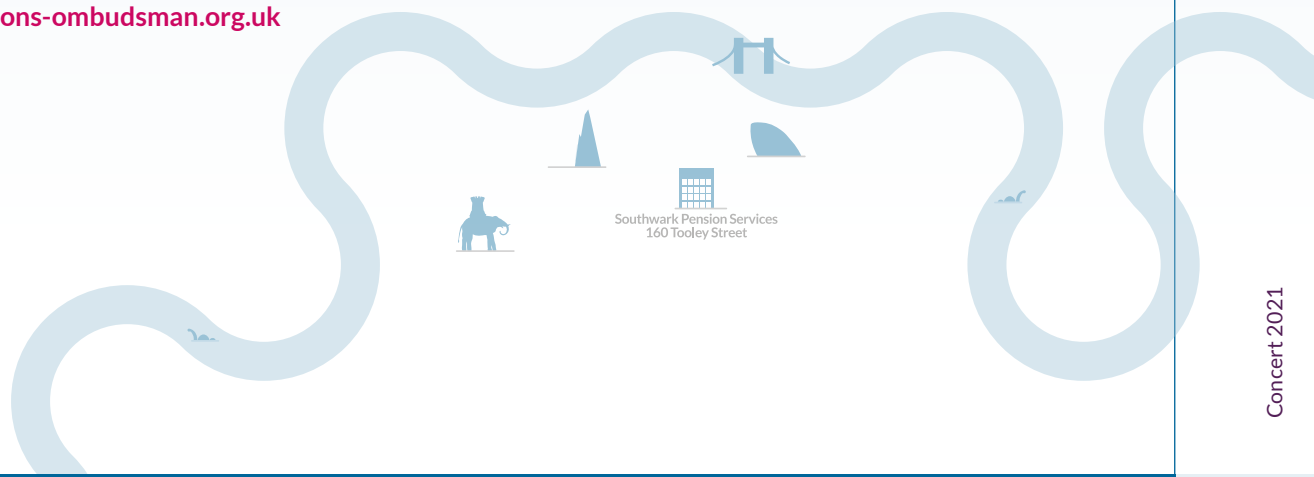
All LGPS regulations are available for inspection upon request.

Pension Services
2nd Floor
160 Tooley Street
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www.lgpsmember.org

Useful LGPS websites:

www.lgpsmember.org/more/penpay.php



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