

## **Quick Guide to Calculating Final Pay (for all leavers with pre-1<sup>st</sup> April 2014 service)**

- ✓ Members with service prior to 1<sup>st</sup> April 2014 retain the final salary link (therefore a final pay calculation under the 2008 Scheme rules is required). (Remember that overtime is pensionable for the current (CARE) scheme but does not apply in the 2008 definition so should not be included in the final pay calculation.)
- ✓ Final pay is the total pay earned, and on which contributions were paid (or deemed to have been paid), in the final 365 days of employment. For part-time members the pay used is the whole-time (or full-time) equivalent pay, unless the member is full-time and has been paid other elements of pay, on top of a full-time salary, such as standby, call-out etc, in which case these should be added to the full-time salary (excluding overtime, as per above point).
- ✓ Where the last 365 days does not give the highest figure or the member has had a pay cut or restriction in the last 10 years, see \* on page 2.
- ✓ Full guidance can be obtained from the LGA Payroll guide at:  
<https://www.powyspensionfund.org/media/yuipfnk3/lgps-2014-payroll-guide-v4-3c.pdf>

### Example 1: Full-time employment

Mrs T Owen; full-time, retired 31<sup>st</sup> August 2021; paid monthly; last 3+ years of pay were:

1 <sup>st</sup> April 2018	£21,000 p.a.
1 <sup>st</sup> April 2019	£21,500 p.a.
1 <sup>st</sup> April 2020	£22,000 p.a.
1 <sup>st</sup> April 2021	£22,500 p.a.

Final year:

1 <sup>st</sup> September 2020 to 31 <sup>st</sup> March 2021	$£22,000 \times 7/12 = £12,833.33$
1 <sup>st</sup> April 2021 to 31 <sup>st</sup> August 2021	$£22,500 \times 5/12 = £ 9,375.00$
Total =	<u>£22,208.33 = Final pay</u>

Example 2: Part-time employment

*In the case of part-time employment, the final pay is the pay which would have been paid for a single comparable whole-time employment, so calculate as Example 1; or if using actual part-time pay, then you can use the method below:*

Mr S Williams; part-time; left 31<sup>st</sup> December 2021, worked 20 hours/week out of a possible 37 until 31<sup>st</sup> March 2021, when he reduced to 16 hours/week. Part-time pay was as follows:

1 <sup>st</sup> January 2021 to 31 <sup>st</sup> March 2021	£2,972.97 actual pay
1 <sup>st</sup> April 2021 to 31 <sup>st</sup> December 2021	£7,297.30 actual pay
Therefore	
£2,972.97 x 37/20 =	£5,500.00
£7,297.30 x 37/16 =	£16875.01
Total =	<u>£22375.01 = Final pay</u>

\* Where a previous year's pay should be used:

"Best of last 3 years"

Where either of the immediately preceding 2 years would yield a higher figure, then that figure should be used.

or

Regulation 10 or "Best of last 3 in 13"

Where a member's pensionable pay in a continuous period of employment is reduced or restricted for one of the following reasons:

- Because the member chooses to be employed by the same employer at a lower grade or with less responsibility;
- For the purposes of achieving equal pay in relation to other employees of that employer;
- As a result of a job evaluation exercise;
- Because of a change in the member's contract of employment resulting in the cessation or restriction of, or reduction in, payments or benefits specified in the member's contract of employment as being pensionable emoluments; or
- Because the rate at which the member's rate of pay may be increased is restricted in such a way that it is likely that the rate of the member's retirement pension will be adversely affected.

and if the reduction or restriction was not a result of a temporary position ceasing or flexible retirement, then the person can choose any 3 years average of pensionable pay (calculated to 31<sup>st</sup> March) that falls within the period of 13 years ending with their last day as an active member.