



Greater Manchester Pension Fund

LGPS Assumed Pensionable Pay (APP)





What we will cover



Assumed
Pensionable Pay



Notional
Pay

What is APP and notional pay?

Member has reduced pay

Assumed
Pensionable
Pay

Notional Pay



When to use APP and notional pay?

To cover periods of reduced or no pay due to:

Sickness or
injury

Child related
leave

Reserve
forces leave



Assumed Pensionable Pay (APP)

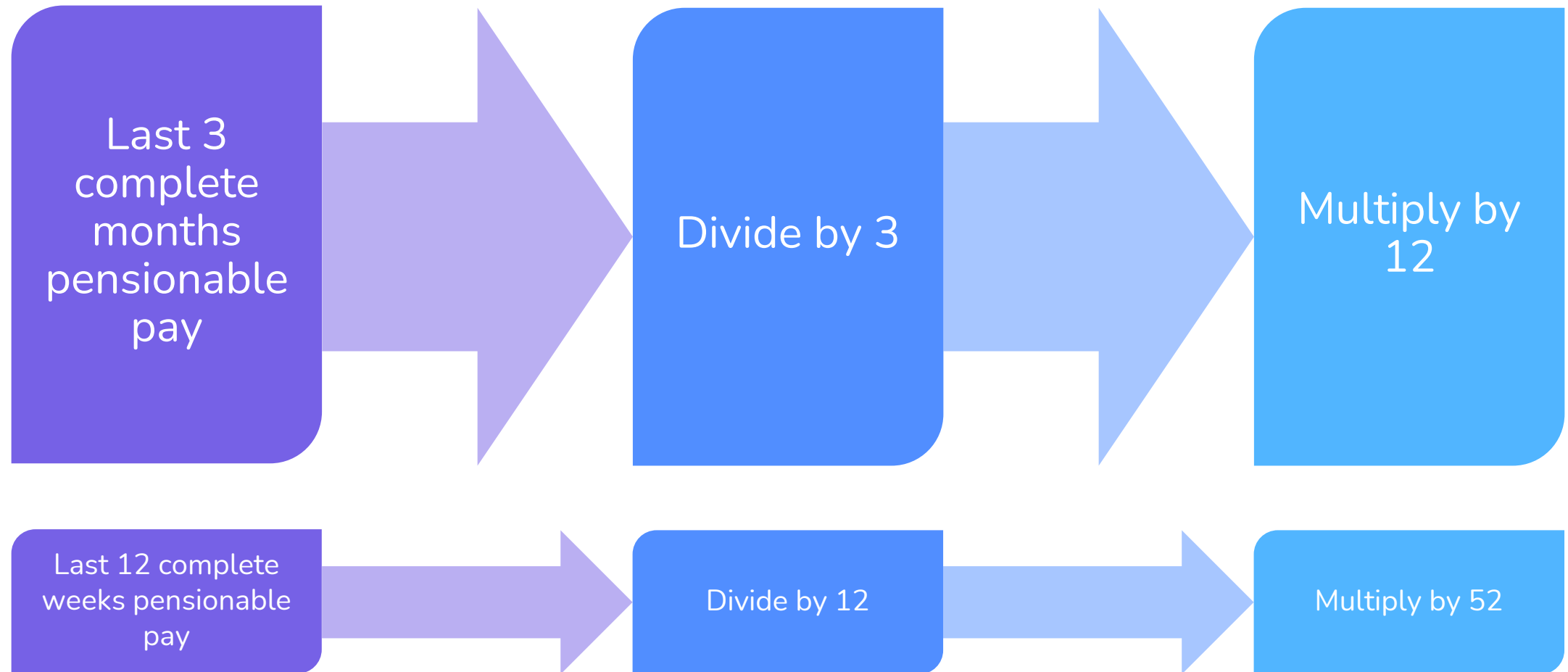
All pensionable pay

Includes:

Excess hours

Non-contractual overtime

Calculating APP





Calculating APP

The 'relevant' period starts on the day the employee:

goes on reduced (or
no) pay due to
sickness

goes on 'relevant'
child related leave

‘Complete months’

2024

January						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May						
Su	M	Tu	W	Th	F	Sa
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
Su	M	Tu	W	Th	F	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
Su	M	Tu	W	Th	F	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August						
Su	M	Tu	W	Th	F	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
Su	M	Tu	W	Th	F	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November						
Su	M	Tu	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December						
Su	M	Tu	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

‘Complete weeks’

2024

January							February							March							April									
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa			
	1	2	3	4	5	6					1	2	3						1	2		1	2	3	4	5	6			
7	8	9	10	11	12	13		4	5	6	7	8	9	10							7	8	9	10	11	12	13			
14	15	16	17	18	19	20		11	12	13	14	15	16	17							14	15	16	17	18	19	20			
21	22	23	24	25	26	27		18	19	20	21	22	23	24							21	22	23	24	25	26	27			
28	29	30	31					25	26	27	28	29									28	29	30							
May							June							July							August									
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa			
			1	2	3	4							1		1	2	3	4	5	6					1	2	3			
5	6	7	8	9	10	11		2	3	4	5	6	7	8	7	8	9	10	11	12	13		4	5	6	7	8	9		
12	13	14	15	16	17	18		9	10	11	12	13	14	15	14	15	16	17	18	19	20		11	12	13	14	15	16		
19	20	21	22	23	24	25		16	17	18	19	20	21	22	21	22	23	24	25	26	27		18	19	20	21	22	23		
26	27	28	29	30	31		23	24	25	26	27	28	29		28	29	30	31					25	26	27	28	29	30		
							30																							
September							October							November							December									
Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa	Su	M	Tu	W	Th	F	Sa			
1	2	3	4	5	6	7			1	2	3	4	5						1	2		1	2	3	4	5	6	7		
8	9	10	11	12	13	14		6	7	8	9	10	11	12		3	4	5	6	7	8	9		8	9	10	11	12	13	14
15	16	17	18	19	20	21		13	14	15	16	17	18	19		10	11	12	13	14	15	16		15	16	17	18	19	20	21
22	23	24	25	26	27	28		20	21	22	23	24	25	26		17	18	19	20	21	22	23		22	23	24	25	26	27	28
29	30							27	28	29	30	31				24	25	26	27	28	29	30		29	30	31				

<https://www.vertex42.com/calendars/portable-calendars.html>

Portable Yearly Calendar © 2022 by Vertex42.com. Free to Print.



Things to consider

Less than 3
months/12 weeks

- Use whatever complete pay periods are available

Strikes

- Reductions in pay due to trade dispute or unpaid authorised absence need to be ignored



Things to consider

Pay increase after qualifying period

- should not be included in the calculation of their APP
- should be included in their notional pay

Pay increase during qualifying period

- backdated pay award should be apportioned in calculation of APP
- should be included in their notional pay

Lump sum bonus

- should not be included in the calculation of their APP



Notional Pay

LGPS Regulations 2008

Full-time equivalent basic pay

Pensionable bonuses or performance related pay

Doesn't include non-contractual overtime



Notional Pay

Calculate for relevant members

Include on i-Connect file

Impacts Annual Benefit Statements

Reduced pay due to sickness

Assumed
Pensionable Pay
and notional pay



Example 1 - sickness



Mr Smith	
Pay	£24,000 a year
Overtime	£0
Pay period	1 st to the end of the month
Off sick from	01/07/2023 past 31/03/2024
Entitlement	3 months full pay, 3 months half pay, then nil pay

Example 1 - sickness



Monthly pay

$$£24,000 / 12 = £2000$$

Pay in 3 months before going on reduced/no pay

$$£2,000 \times 3 = £6,000$$

Annual APP and notional pay

$$£2,000 \times 12 = £24,000$$

Mr Smith went onto reduced pay from 1/10/2023

need to use the APP and notional pay figures for the last 6 months of the year

CARE and Final Pay at 31/03/2024

£24000

Example 1 - sickness



Dates	Final Pay Calculation	Final Pay	CARE Pay Calculation	CARE Pay
01/04/2023 – 30/09/2023 In work/sick on full pay	Full pay $£2,000 \times 6$	£12,000	Full pay $£2,000 \times 6$	£12,000
01/10/2023 – 31/03/2024 On reduced or no pay	notional pay $£2,000 \times 6$	£12,000	APP $£24,000 / 12 \times 6$	£12,000
Total		£24,000		£24,000

Example 2 - sickness



Mr Jones	
Pay	£18,000 a year
Overtime	£600 per month
Pay period	1 st to the end of the month
Off sick from	01/07/2023 past 31/03/2024
Entitlement	2 months full pay, 2 months half pay, then nil pay
FTE final salary	Basic pay of £18,000 (including notional)

Example 2 - sickness



Reduced pay from
01/09/2023



3 complete months
01/06/2023 to
31/08/2023



3 full months at
basic pay

- $\text{£}18000/12 = \text{£}1500 \times 3$
= $\text{£}4500$



Plus $\text{£}600$ non
contractual
overtime in June



$\text{£}4,500 + \text{£}600 =$
 $\text{£}5,100$



Average is $\text{£}5,100 /$
 $3 = \text{£}1,700$



Annual APP
 $\text{£}1700 \times 12 =$
 $\text{£}20400$

Example 2 - sickness



Dates	CARE Pay Calculation	CARE Pay (including APP)
01/04/2023 – 30/06/2023 In work	$£1,500 \times 3 \text{ months} + 3 \times £600 \text{ O/T}$	£6,300 actual pay
01/07/2023 – 31/08/2023 Sick – on full pay	$£1,500 \times 2 \text{ months}$	£3,000 actual pay
01/09/2023 – 31/10/2023 Sick – on half pay	$£1,700 \times 2 \text{ months (APP)}$	£3,400 APP
01/11/2023 – 31/03/2024 Sick - no pay	$£1,700 \times 5 \text{ months (APP)}$	£8,500 APP
Total CARE Pay		£21,200

Example 2 – sickness (using discretion)



Reduced pay from
01/09/2023



3 complete months
01/06/2023 to
31/08/2023



3 full months at
basic pay

- $\text{£}18000/12 = \text{£}1500 \times 3$
= $\text{£}4500$



Plus 3 months of
non-contractual
overtime at $\text{£}600 =$
 $\text{£}1800$



$\text{£}4,500 + \text{£}1800 =$
 $\text{£}6,300$



Average is $\text{£}6,300 /$
 $3 = \text{£}2,100$



Annual APP
 $\text{£}2,100 \times 12 =$
 $\text{£}25,200$

Example 2 – sickness (using discretion)



Dates	CARE Pay Calculation	CARE Pay (including APP)
01/04/2023 – 30/06/2023 In work	$£1,500 \times 3 \text{ months} + 3 \times £600 \text{ O/T}$	£6,300 actual pay
01/07/2023 – 31/08/2023 Sick – on full pay	$£1,500 \times 2 \text{ months}$	£3,000 actual pay
01/09/2023 – 31/10/2023 Sick – on half pay	$£2,100 \times 2 \text{ months (APP)}$	£4,200 APP
01/11/2023 – 31/03/2024 Sick - no pay	$£2,100 \times 5 \text{ months (APP)}$	£10,500 APP
Total CARE Pay		£24,000

Example 2 - sickness



Dates	Actual Final Pay	Final Pay (notional)	Actual CARE Pay	CARE Pay (incl APP)
01/04/2023 - 30/06/2023 In work	£4,500	£4,500	£6,300	£6,300
01/07/2023 – 31/08/2023 2 months full pay	£3,000	£3,000	£3,000	£3,000
01/09/2023 – 30/10/2023 2 months half pay Notional Pay / APP	£1,500	£3,000	£1,500	£3,400
01/11/2023 – 31/03/2024 5 months no pay Notional Pay / APP	£0	£7,500	£0	£8,500
Total	£9,000	£18,000	£10,800	£21,200

What are the differences?

CARE Pay



Without APP

£220.41 (based on pay of £10,800)

With APP

£432.65 (based on pay of £21,200)

Lost Pension

£212.24 per year

How much would Mr Jones lose?



CARE Scheme is cumulative

£212.24 per year difference

£4244.80 over 20 years

What are the differences?

Final Salary Pay



5 years pre 01/04/2014 membership

Without Notional Pay

£750 per year (based on pay of £9000)

With Notional Pay

£1500 per year (based on pay of £18,000)

Lost Pension

£750 per year



Short term periods

Calculate a
days pay

Apportion
accordingly

Example – no overtime



Mr Smith	
Unpaid sick	3 days
Last 3 months	£5000
Overtime	£0
Annual APP	£20,000

£20,000

×

3 days

÷

365

=

£164.38

Example – with overtime



Mr Smith	
Unpaid sick	3 days
Last 3 months	£5000
Overtime	£600
Annual APP	£22,400

£22,400

×

3 days

÷

365

=

£184.11



Longer periods of APP and notional pay

Whole months should be equal

$1/12^{\text{th}}$ of annual APP

Doesn't differ depending on how many days are in the month



Members in the 50/50 section

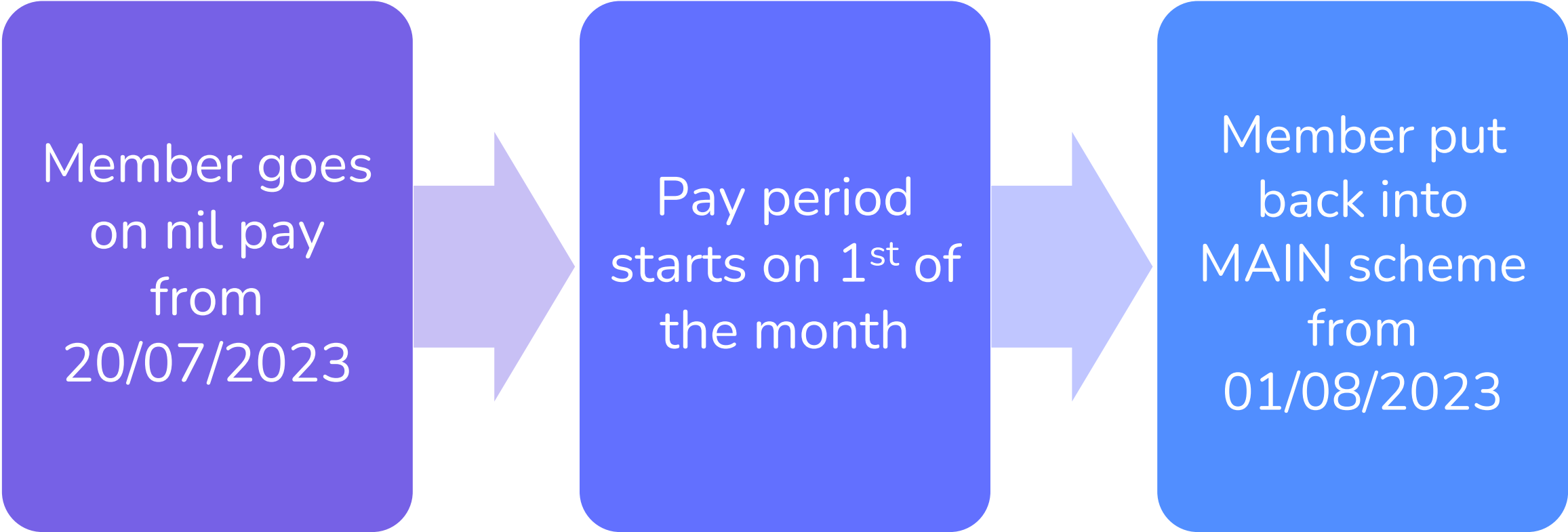
Put back into MAIN section

From beginning of first pay period after going on to no pay

* If they are still on no pay at the beginning of that period

Example – 50/50 section

Member goes
on nil pay
from
20/07/2023



```
graph LR; A[Member goes on nil pay from 20/07/2023] --> B[Pay period starts on 1st of the month]; B --> C[Member put back into MAIN scheme from 01/08/2023];
```

Pay period
starts on 1st of
the month

Member put
back into
MAIN scheme
from
01/08/2023



APP in new financial year

Once set, APP remains at the same value

Continues at the same rate from April in the next financial year

If APP continues across 2 x 31st March dates, APP needs to be increased on account of inflation

Child related leave

Maternity leave

Adoption leave

Paternity leave

Shared parental leave





Child related leave

Assumed Pensionable Pay

‘Relevant’ child related leave

- Ordinary child related leave
- Paid additional child related leave

Notional pay

Whole period of child related leave

Example – child related leave



Mrs Hope

Basic Salary

£30,000 per year

Maternity start date

01/07/2023

Overtime

£3000 in non-contractual overtime in 3 months before maternity leave

Pay period

1st to the end of the month

Entitlement

6 months full pay & 3 months paid additional

Example – child related leave

CARE Pay



Basic pay (last 3 months)

$$£30,000 / 12 \times 3 = £7,500$$

Overtime (last 3 months)

£3,000

Total

$$£10,500 / 3 \times 12 = £42,000$$

Example – child related leave

Final Salary Pay



Basic pay

£30,000

Overtime

Not included. Remember non-contractual overtime is not pensionable for final salary pay!

Total

£30,000

Example – child related leave



Dates	Final Salary Pay calculation	Final Salary Pay	CARE Pay calculation	CARE Pay
01/04/2023 – 30/06/2023 In work	Basic Pay $\text{£}30,000 / 12 \times 3$	£7,500	Basic Pay $\text{£}30,000 / 12 \times 3 = \text{£}7,500 + \text{£}3,000$ non-contractual overtime	£10,500
01/07/2023 – 31/03/2024 On mat leave	Basic Pay $\text{£}30,000 / 12 \times 9$	£22,500 (notional pay)	APP of £42,000 $/ 12 \times 9$	£31,500 (APP)
Total		£30,000		£42,000



Member not entitled to full maternity pay

Some members may not have worked long enough to have full entitlement to maternity pay.

APP still needs to be applied for the first 26 weeks

This applies even if the member doesn't receive any maternity pay

Employer contributions are payable on the APP figure



Unpaid child related leave

Can pay Additional Pension Contributions (APCs)

Buy back lost pension

Elect within 30 days of returning to work

Employer pays 2/3rds of the cost



Unpaid child related leave

DO NOT provide an APP figure

No exceptions for members paying an APC

APC is paid as an adjustment

Record the cumulative employer and employee APCs on your i-Connect file or upload



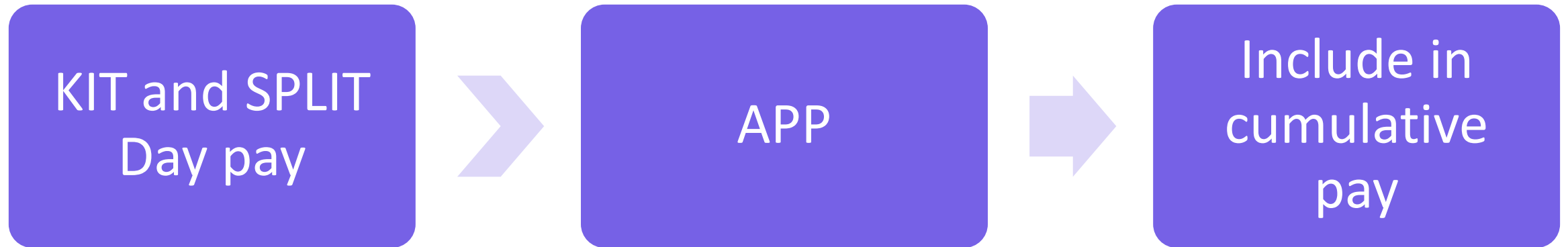
Unpaid child related leave

Unpaid child related leave is treated differently under the Final Salary Regs

Notional pay – amount the member would have received if not on child related leave (not including non-contractual overtime)

If not. Final salary benefits will be under-stated on their ABS

KIT and SPLIT days



Example – KIT and SPLIT days



Mrs Green

Usual Pay

£60 per day

Usual Hours

5 hours a day

KIT Day

Employer asks her to work a 7 hour KIT day

Extra pay

£36 – two hours of non-contractual overtime

Outcome

Actual pay higher than APP, so would not receive APP. Include actual pay (£96) in cumulative figure.

Example – KIT and SPLIT days



Mrs Green

Usual Pay

Statutory Maternity Pay has now ended so she is now on no pay

APP

£0

KIT Day

Employer asks her to work a 5 hour KIT day

Actual pay

£60

Outcome

Actual pay higher than APP of £0. Include actual pay of £60 in cumulative figure.

Example – Child related leave



Mrs Ward	
Basic Salary	£24,000
Maternity leave from	01/05/2023
Non-contractual overtime	£500 each month for the last 6 months
Pay period	1 st to the end of the month
Pay increment	to £24,600 from 1 st October 2023
Entitlement	9 months paid child-related leave, but taking a year off

Example – child related leave



CARE Pay

Increment

Should be ignored

Basic salary $\pounds 24,000 / 12 \times 3 = \pounds 6,000$

Overtime

$\pounds 500$ per month to be included

$\pounds 500 \times 3 = \pounds 1,500$

APP

Only include up to the end of the period of “relevant” child-related leave

$\pounds 6,000$

+

$\pounds 1,500$

÷

3

×

12

=

$\pounds 30,000$

Example – child related leave



Dates	CARE Pay calculation	CARE Pay
01/04/2023 - 30/04/2023 In work	Basic pay $\text{£}24,000 / 12$ + $\text{£}500$ overtime	$\text{£}2,500$
01/05/2023 – 31/01/2024 Paid / additional mat leave	APP of $\text{£}30,000 / 12 \times 9$	$\text{£}22,500$ (APP)
01/02/2024 – 31/03/2024 2 months unpaid child related leave	No APP & no pay	$\text{£}0$
Total		$\text{£}25,000$

Example – child related leave



Final Salary Pay

Increment

Should be included

Salary point

6 months at £24,000

6 months at £24,600

Overtime

Not included

Total

£24,300

Example – child related leave



Dates	Final Salary Pay calculation	Final Salary Pay	CARE Pay calculation	CARE Pay
01/04/2023 - 30/04/2023 In work	Basic pay $\text{£}24,000 / 12$	£2,000	Basic pay $\text{£}24,000 / 12$ + £500 overtime	£2,500
01/05/2023 – 30/09/2023 Paid mat leave	Basic pay $\text{£}24,000 / 12 \times 5$	£10,000 (notional pay)	APP of $\text{£}30,000 / 12 \times 5$	£12,500 (APP)
01/10/2023 – 31/01/2024 Paid / additional mat leave	Basic pay $\text{£}24,600 / 12 \times 4$	£8,200 (notional pay)	APP of $\text{£}30,000 / 12 \times 4$	£10,000 (APP)
01/02/2024 – 31/03/2024 2 months unpaid child related leave	Basic pay $\text{£}24,600 / 12 \times 2$	£4,100 (notional pay)	No APP & no pay	£0
Total		£24,300		£25,000

Example – child related leave

i-Connect service
break

Contributions



Employee contributions

- due on the actual CARE pay amount paid to the employee
- not the amount including APP



Employer contributions

- due on the CARE pay figure including APP

Contributions



Actual Final Salary Pay	Final Salary Pay including notional pay	Actual career average pay	Career average pay including APP
£9,000	£18,000	£10,800	£21,200



Employee
contribution



Employer
contribution



Significance of when the payments are made

Benefits based on pensionable pay received in the period

Payment date can affect APP

Additional info – maternity leave

Member on
reduced pay
due to sickness
during 3 month
window



```
graph LR; A[Member on reduced pay due to sickness during 3 month window] --> B[Goes on maternity leave]; B --> C[APP calculated as if the employee had not been on reduced pay]
```

Goes on
maternity leave

APP calculated
as if the
employee had
not been on
reduced pay

Additional info – authorised unpaid leave

CARE Pay

Do NOT apply APP
Member can buy back
lost pension

Final Salary Pay

Notional Pay applies
Actual pay during the
year
 $\div$ number of days
worked
 $\times 365$

Additional info – APP calculator

Assumed Pensionable Pay (APP) calculator (monthly paid)

Employee name or NI number

Date the employee's pay reduced due to sickness or start of relevant child-related leave or reserve forces service leave (RFSL)

Start date of last **complete** pay period **before** start of reduced pay due to sickness, relevant child-related leave or RFSL

	From	To	Pensionable pay figure
Pensionable pay Period 1			
Period 2			
Period 3			
Total			0.00

Annual amount of APP

Monthly amount of APP

Further information



Pensionable pay includes (2014 scheme)

- * All the salary, wages, fees and other payments paid to the employee
- * Any benefit specified in the employee's contract of employment as being pensionable
- * Excess hours or non-contractual overtime

Unpaid breaks to ignore if they occur in the APP calculation period

- * If an employee's pay was reduced due to trade dispute (strike) or unpaid authorised absence, the reduction needs to be ignored in the calculation of APP from the previous 3 months / 12 weeks pay. This is because the strike or unpaid absence is out of the ordinary and would not be expected again in the following period.

Unpaid child-related leave

APP ceases when member goes onto unpaid child-related leave, so after:-

- * week 39 for maternity & adoption leave (if SMP paid)
- * week 26 for maternity & adoption leave if employee is not entitled to SMP
- * week 2 for paternity leave
- * varies with shared parental leave

APP Calculator (Monthly paid)

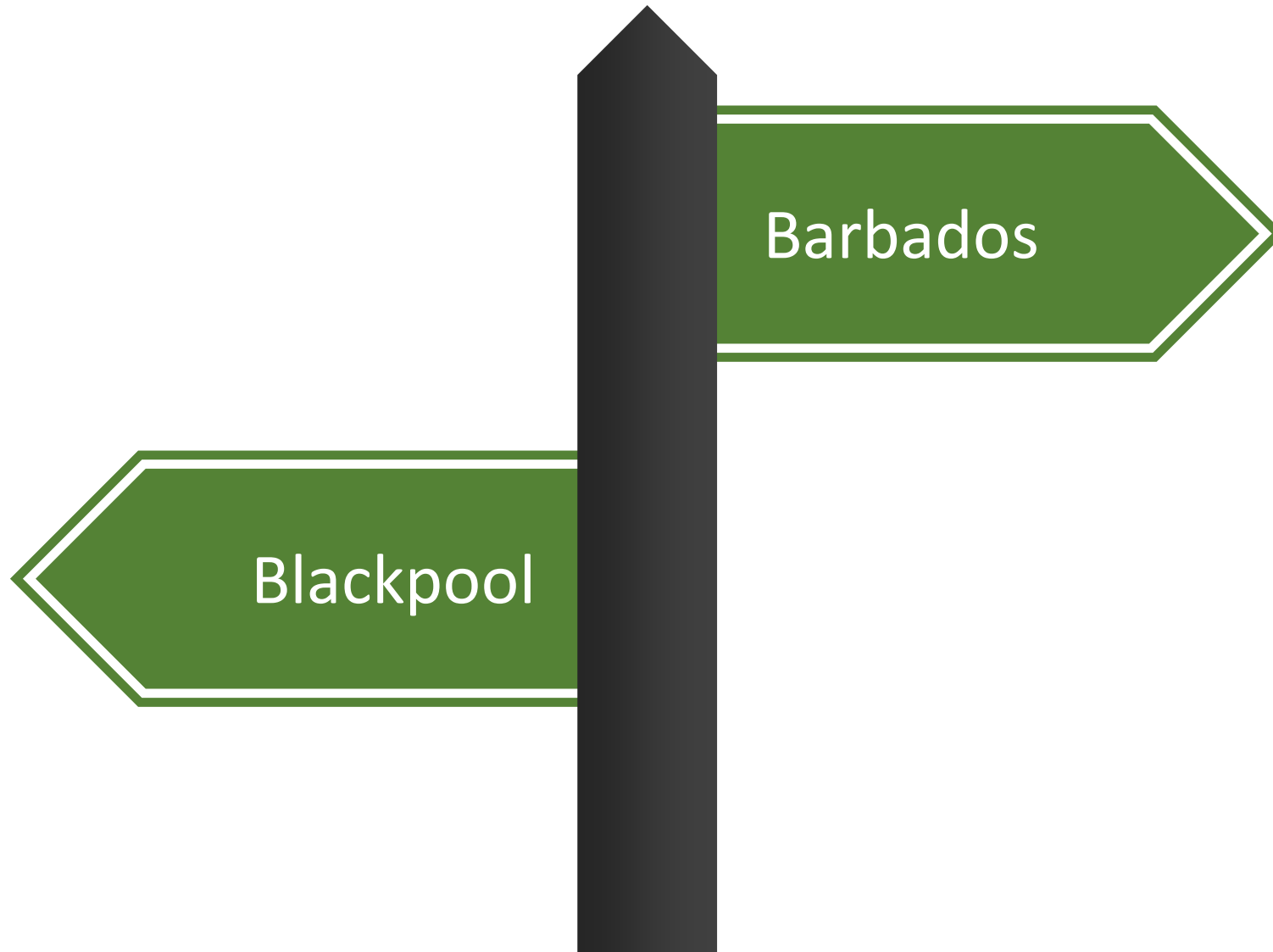
APP Calculator (Weekly paid)

APP Calculator (under 12 weeks)

Bulk APP calculator (Monthly)

Notional pay and assumed pensionable pay - GMPF

Important



Any questions?



Feedback survey

Employer Training feedback form



<https://forms.office.com/r/FYhsM2dC60>



Greater Manchester Pension Fund
www.gmpf.org.uk

Thank You

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