GMPF Pay training for scheme employers

Agenda

- Lets start at the beginning – How do Pensions accrue in the LGPS

  - Final salary scheme
  - Career average scheme (CARE)
  - Importance of correct pay

- What is Pensionable Pay

- Periods of absence

- Notional Pay (Final Salary Scheme)

- Assumed Pensionable Pay (CARE)

- Shared Cost APC's

- Forms, year end and I-Connect

All your Pension information – At your fingertips! www.gmpf.org.uk

my pension By GMPF

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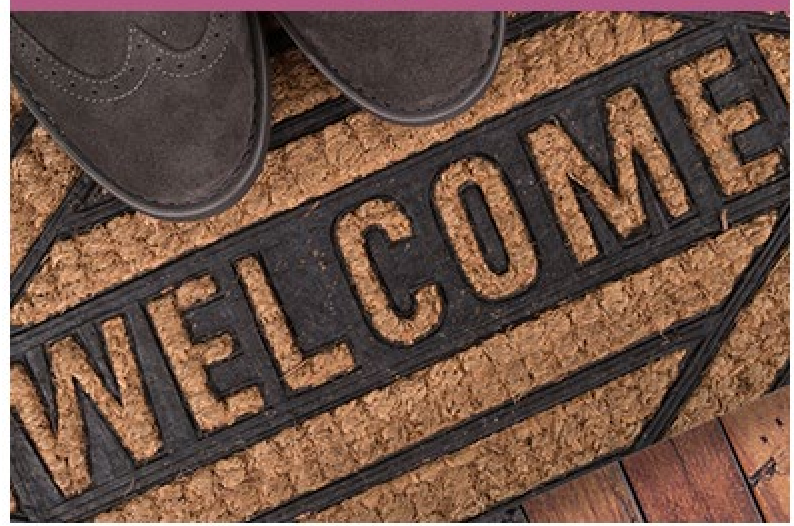


Help with My Pension

What can I do in My Pension?

How the LGPS currently looks:

	Final Salary		Career Average revalued Earnings
	Up to 31st March 2008	April 2008 – March 2014	From 1 April 2014
Accrual Rate	80th	60th	49th
Pension Age (NPA)	65	65	Higher of 65 or SPA
Early Retirement	Could retire at 60, however reductions may apply	Could retire at 60, however reductions may apply	Can retire from 55, however reductions may apply
Automatic Tax Free Lump Sum	Yes	No	No
Salary Used	Full Time	Full Time	Actual

Benefit Example – Final Salary

Mrs Norma Leaver
Age – 67
Joined LGPS in 2008
Salary £26,275

2008 – 2014 Final salary benefits

$$\frac{\text{£26,275 * 6 Years service}}{60} = \text{Annual Pension of } \mathbf{£2627}$$

- Full Time Equivalent (FTE) Salary is used to calculate benefits
- Service was scaled down if members were part time
- Although no longer in the final salary scheme, benefits are still worked out using the members ‘leaving’ salary. We call this the Final Salary link

Benefit Example – CARE

Mrs Leaver
Age – 67
Joined LGPS in 2008
Salary £26,275

Salary	Account brought forward	Accrued 49th	Total	Revalued
£25,000 2014/15		£510.2	£510.2	£520.4
£25,250 2015/16	£520.4	£515.3	£1035.7	£1056.4
£25,503 2016/17	£1056.4	£520.5	£1576.9	£1608.4
£25,758 2017/18	£1608.4	£525.7	£2134.1	£2176.8
£26,015 2018/19	£2176.8	£530.9	£2707.7	£2761.8
£26,275 2019/20	£2761.8	£536.2	£3298.1	£3364.0

- So after 6 years Mrs Leaver has **£3364** of annual pension
- The difference here is that benefits are accrued and 'banked' year on year, unlike the final salary scheme

Final Salary – Protections against drops in Pay

- With so much of a members benefits counting on their Final Salary there are regulatory protections in the event a member takes a drop in pay

- A members Final Salary is normally the Pensionable Pay for the previous 365 days

- For all members leaving with Pre 2014 Final Salary benefits a 3 year protection is applied automatically – Best of the last three years

Mr Reduction leaves employment on the 30th September 2018, his Pensionable Pay for the last 3 years is as follows:

1st October 2017 - 30th September 2018 = £22,000 (FTE)
1st October 2016 - 30th September 2017 = £21,500 (FTE)
1st October 2015 - 30th September 2016 = £26,000 (FTE)

The pay then used to calculate Mr Reductions Final Salary benefits would be the Pensionable Pay from **01st October 2015 – 30th September 2016 of £26,000**

But what if the reduction took place more than 3 years before he left?

Final Salary – Best 3 in 13

- There is another protection built into the Final Salary scheme if members had a reduction in pay within the last 13 years, the regulations state:

  "best average of any consecutive three years in the last 13".

- Pensions increase is then applied to this figure (could be occasions when before PI is applied the figure could actually be less than the final salary)

- Firstly a person's pensionable pay in a continuous period of employment has to be reduced or restricted for one of the following reasons:

  A. *Member chooses to be employed at a lower grade/less responsibility*
  B. *Job evaluation*
  C. *Equal pay review*

- This isn't automatically applied, a member would need to request this – Unless you as the employer checks in each case.

- The calculation is also worked backwards from scheme years not date of leaving

50/50 Scheme

- 2014 saw the introduction of the 50/50 Scheme. This gives members the option to drop their contribution to half the rate and build CARE benefits at half the rate as a result

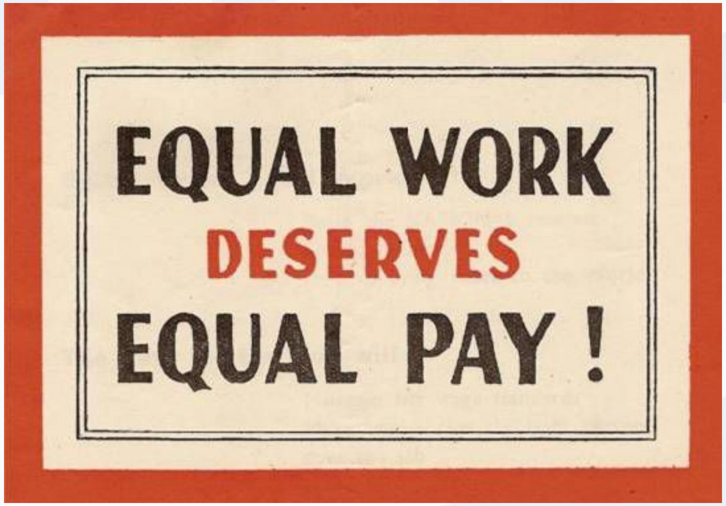
- Members can swap between the main scheme and 50/50 as and when they choose

- Are automatically opted back into the main scheme on the employers Re Enrolment date

- Are also opted back into the main scheme at the start of certain types of absence

Salary	brought forward	Accrued 98th	total	revalued
£25,000		£255.1	£255.1	£260.2
£25,250	£260.2	£257.7	£517.9	£528.2
£25,503	£528.2	£260.2	£788.4	£804.2
£25,758	£804.2	£262.8	£1067.0	£1088.4
£26,015	£1088.4	£265.5	£1353.8	£1380.9
£26,275	£1380.9	£268.1	£1649.0	£1682.0

Importance of Pensionable Pay



Pensionable Pay

- In order to work out a members benefit's accurately employers must provide GMPF with an Employees Pensionable Pay

- There are a number of reasons GMPF require accurate Pay Figures:

  1. Annual Benefit Statements for all members / My Pension
  2. When a member leaves employment – Becomes a deferred member **(Form P48 to be completed)**
  3. When a member retires and is accessing their benefits **(Form P71 to be completed)**
  4. For Valuation purposes
  5. Tax purposes – Annual Allowance
  6. Capital cost / Pension strain

- Till this year GMPF and its employers have undergone a year end exercise to ensure accurate data is held, 2019/20 see's the change to collecting this data monthly

- The importance of correct data is vital now in the CARE scheme as members benefits grow in line with their salary every year

Annual Benefit Statement 2019

About you

Name:

Current employer:

Date joined:

Your pension number: *Please quote this if you contact us.*

Your final salary pay:

Your career average pay:

If you have transferred in any other pension service that started before the above date, you can view this on My Pension under My employment details.

These are the pay figures given to us by your employer. If you think they might be wrong then please contact your employer who will look into this for you.

You can find how these pay figures are calculated in the FAQ section at the end of this statement.

If you have more than one set of benefits with us you can view your other statements by clicking the green arrow at the top right of your My Pension homepage.

2014 Scheme	2008 Scheme
Regulation 20(1) Subject to regulation 21 (assumed pensionable pay), an employee's pensionable pay is the total of— (a) all the salary, wages, fees and other payments paid to the employee, and (b) any benefit specified in the employee's contract of employment as being a pensionable emolument .	*Benefits Regulation 4(1)* An employee's pensionable pay is the total of— (a) all the salary, wages, fees and other payments paid to him for his own use in respect of his employment; and (b) any other payment or benefit specified in his contract of employment as being a pensionable emolument.
Regulation 20(2) But an employee's pensionable pay does not include—	*Benefits Regulation 4(2)* But an employee's pensionable pay does not include -
	(a) payments for non-contractual overtime;
(a) any sum which has not had income tax liability determined on it;	*Separate Regulation 4(3)* No sum may be taken into account in calculating pensionable pay unless income tax liability has been determined on it.

Pensionable CARE Pay

This is used to calculate benefits post 01/04/2014, this is always required for members who have service after this date on the P48 and P71 as well as the year end return or I Connect

- All pensionable payments made to the employee, no matter when they have been earned
- **DOES include non contractual overtime**
- Contractual overtime
- It's the actual amount paid for part time employees

- Any sum which has not had income tax liability determined on it
- Travel, subsistence or other allowances paid in respect of expenses
- Payment for loss of holidays
- Pay in lieu of notice
- Payment in consideration of loss of future pensionable payments or benefits
- Payment to an employee on reserve forces service leave

Pensionable Final Pay

This is used to calculate benefits for members with pre 31/03/2014 service, or who had a transfer that bought them pre 2014 service. Again this data is used on the P48 and P71 as well as the monthly return/year end return

- All pensionable payments made to the employee, based on when they were earned
- Contractual overtime
- It's the Full Time Equivalent pay for part time/term timers

- **Non contractual overtime**
- Any sum which has not had income tax liability determined on it
- Travel, subsistence or other allowances paid in respect of expenses
- Payment for loss of holidays
- Pay in lieu of notice

Final Pay	Pensionable or not?	CARE Pay
YES	Contractual Overtime	YES
No	Non - Contractual Overtime	YES
No	Car Allowance	No
YES	Performance related pay	YES
YES	Shift allowance	YES
YES	Honoraria	YES

Proportioning

When determining the proportion of part periods for pensionable pay you should use whatever method you would normally use to calculate one day's pay from an annual rate.

For three days in August for example, this could be:

$$\frac{\text{Annual rate}}{365} \times 3$$

OR

$$\frac{\text{Annual rate}}{12} \times \frac{3}{31}$$

OR

$$\frac{\text{Annual rate}}{12} \times \frac{3}{22}$$

Exercise 1 – Pensionable Pay or not?

Term Time Staff

If employees are Part Time then GMPF need the Full Time Equivalent pay to work out the employees Final Salary benefits. But what about term time staff?

- Part time – Scale the employees pay up to the FTE
- Term Time – No need to scale this up, Term Timers are classed as being FT for Pension purposes
- Part time and term time – Scale up the part time element, not the term time

Example

A member works term time only for 42 weeks out of 52 for 15 hours a week, out of a possible 37 hours. They earn £6500 during their final year of employment. The final pay for the member would be £6500/15 x 37 = £16033.33 as this would be the amount they would have earned if they were working full time, term time.

Exercise 2 - Mid Month Leaver with pay increase

Date of leaving: 12/06/2018
Final Pay Period: 13/06/2017 – 12/06/2018
Pay: £2000 per month from 01/04/2018
£1930 per month from 01/04/2017

What is the Final salary pay to be provided on the P48 or P71?

Final pay workings:

13/06/2017 – 30/06/2017 - £1930 / 30 *18	=	£1158
01/07/2017 – 31/03/2018 - £1930 * 9	=	£17,370
01/04/2018 – 31/05/2018 - £2000 * 2	=	£4000
01/06/2018 – 12/06/2018 - £2000 / 30 * 12	=	£800

The salary reported to GMPF would be **£23, 328** not **£24,000.**

Exercise 2 - Mid Month Leaver with pay increase

Date of leaving: 12/06/2018
Final Pay Period: 13/06/2017 – 12/06/2018
Pay: £2000 per month from 01/04/2018
£1930 per month from 01/04/2017

What CARE pay for 2018 is to be submitted to GMPF?

CARE Pay is again like a pay as you go method and so there is no 'Final Period' like there is for Final Salary benefits:

June 2018 - £800
May 2018 - £2000
April 2018 - £2000

Had the member carried out some Non- Contractual overtime then this would be included in the calculation for CARE pay.

Exercise 3 – Part Timer changing to full time

Date of leaving: 30/04/2018
Final Pay Period: 01/05/2017 – 30/04/2018

Contract:
01/05/2017 – 31/12/2017 = 18.00/36.00
01/01/2018 – 30/04/2018 = 36.00/36.00

Pay received:
01/05/2017 – 31/12/2017 = £8000
01/01/2018 – 30/04/2018 = £8000

Extra's:
Received £260 n/c overtime in February 2018 and £91 for first aid allowance in June 2017

<u>**Final Pay**</u> calculation: £8000 / 18 * 36 = £16,000
+ £8000
+ £91 (First Aid)

Final Pay £24,091

<u>**CARE Pay**</u> calculation: 01/05/2017 – 31/12/2017 = £8000
01/01/2018 – 30/04/2018 = £8260 (Inc £260 O/T)
+ £91 (First Aid)

CARE Pay £16,351

Authorised Leave of Absence

- Where an employee must exchange remuneration in return for additional days of holiday this is, in effect, authorised unpaid leave of absence.

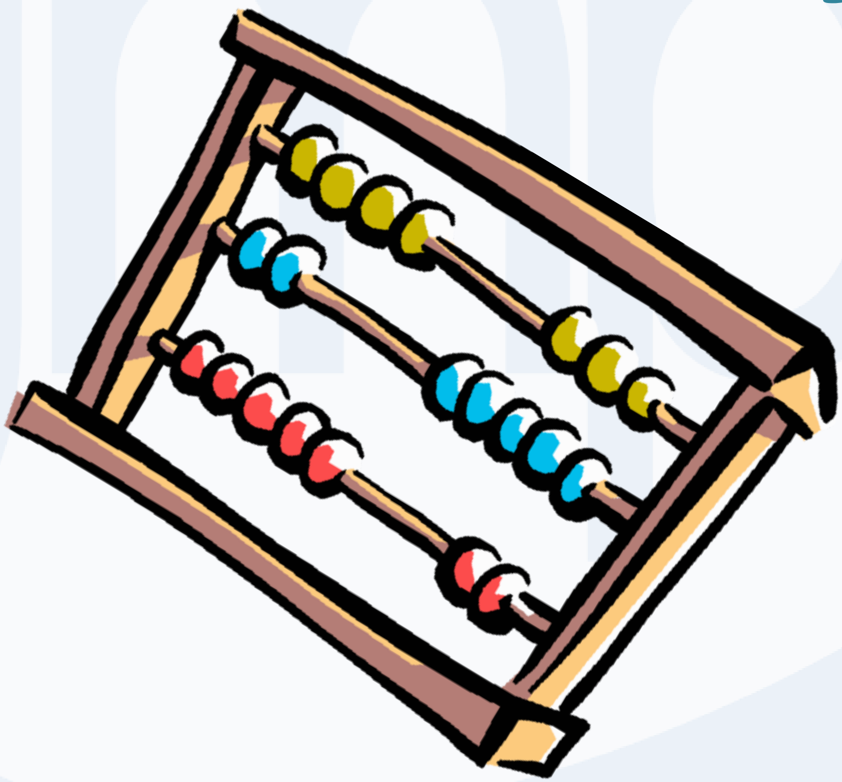
- There a few different approaches:

  1. If the member is on £20,001 a year and takes 5 days authorised unpaid leave of absence (for which a deduction will be made from pay) the employee contribution rate would be determined on a salary of £20,001 and the employee could purchase the pension 'lost' during those 5 days leave of absence by electing to pay an APC. (Employer must contribute 2/3rds if the election is done within 30 days of returning to work)

  2. Change in contract to work 360 days: The member's salary would be £19,727 and if the member wanted to purchase the equivalent of the pension that would have been earned for another 5 days work they could do so via an APC. However, this would be at whole cost to the member.

  3. Employer continues to pay the employees in full (so each month's pay would attract full tax, National Insurance and pension contributions) but has the agreement of the employee to deduct a **net** sum on the deductions side of the payslip

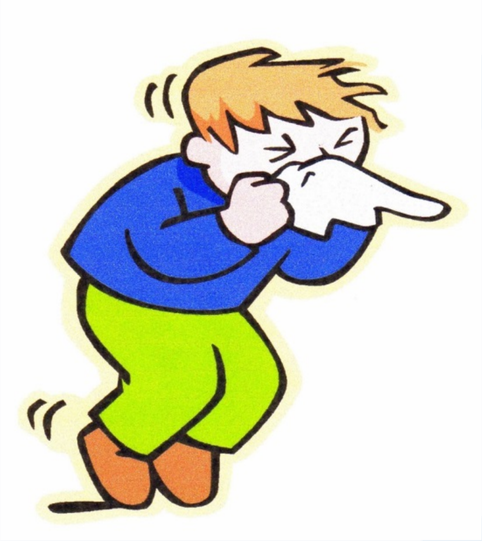
Exercise 4 – Pensionable Pay



Notional Pay and Assumed Pensionable Pay (APP)

Leave of absence in the LGPS

- If a member of staff is off on certain types of reduced or nil pay then the LGPS has regulations to ensure Pensions are not affected
- As the scheme has different regulations for pre and post April 2014 the methods for working this out are different for the Final Salary and CARE schemes
- The pre 2014 Final Salary scheme uses 'Notional' or 'As Was' pay
- The post 2014 CARE scheme uses a more descriptive calculation called 'Assumed Pensionable Pay' (APP)



What types of leave are covered

Reduced or no pay due to sickness or injury

Child-related leave *

Been on reserve forces service leave

* i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave

What is 'Notional Pay'

- Notional Pay is used to replace Final Pay when a member of staff is on the types of leave listed on the previous page
- Often just called 'As Was' pay, this is in effect what the member would have received had they not been on leave
- This uses the same definition as Final Pay, so includes basic pay, bonus, performance related pay and contractual overtime
- Does **not** include non contractual overtime
- Really important to apply Notional Pay, if you don't include this in your monthly / year end data then this will give wrong figures on members Annual Benefits Statements and My Pension – Generates queries

What is 'Assumed Pensionable Pay' (APP)

- APP is used to replace CARE Pay when a member of staff is on the types of leave listed previously

- Just as CARE pay if different to Final Pay, APP is different to Notional Pay – Main reason being APP includes Non contractual overtime

- There is slightly more involved in working out APP:

1. **Take the average of the 3 complete months or 12 complete weeks pay prior to the start of the relevant period (removing any lump sums)**

2. **Gross this up to an annual figure**

3. **Add back in any 'regular' lump sums received over the previous 12 months**

4. **If 3 complete months or 12 complete week periods don't exist, use whatever number of complete periods are available**

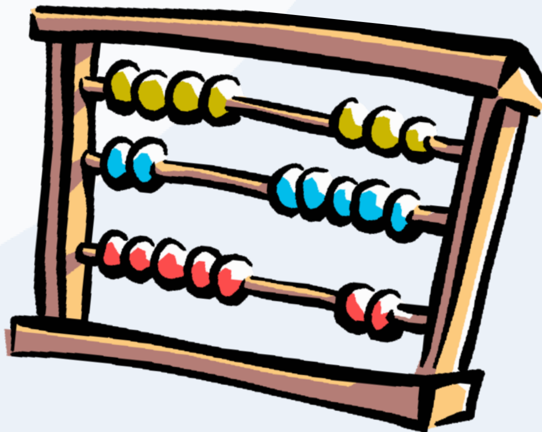
*If the employee has 2 posts then 2 separate APP calculations should be done

'Assumed Pensionable Pay'- Lump Sums

- Assumed pensionable pay, however, may be increased at the time of calculation where the employer, at their sole discretion, decides to add back into the assumed pensionable pay calculation any **regular** lump sum payment paid in the last 12 months.

- Must determine whether there is a 'Reasonable Expectation' that a regular lump sum received in the previous 12 months would have been paid again within the period that APP will apply

- Assess whether the member is likely to still be on 'relevant leave' the next time the lump sum was likely to have been paid



Example – Mrs Monthly

Mrs Monthly earns £18,000 and has received the following pensionable pay in the three complete months prior to going onto Maternity Pay on 1st September and the employer expects assumed pensionable pay / notional pay will apply for the next six months:

June - £1900 (Includes a £400 bonus payment)
July - £1700 (Includes £200 non contractual overtime)
August - £1500

<u>Assumed Pensionable Pay to replace CARE pay:</u>

(1500 + 1500 + 1500 = £4500) / 3 * 12) Lump sums excluded but can be added back in if its deemed as a 'regular payment' = **£18, 000**

<u>Notional Pay to replace Final Pay:</u>

Much easier = **£18,000** - *This is then applied to the 6 month period of relevant leave*

Exercise 5 – Mr Struggling

Mr Struggling is a highways worker with a basic salary of £18,000 a year.

He also normally earns £200 every month in non-contractual overtime but goes on long term sick on 1/7/2018. He doesn't return to work before 31/3/2019.

His pay period is the 1st to the end of the month.

He is entitled to 2 months full pay, and then 2 months half pay, before going onto no pay.

His Final Salary Pensionable Pay (including notional pay) is easy, as it's just his basic salary of £18,000.

Please calculate his Career Average Pay (including APP) for the year. (1st April – 31st March)

Exercise 5 – Mr Struggling

As Mr Struggling went onto reduced pay from 1/9/2018, the 3 complete months period to work out his APP is 1/6/2018 to 31/8/2018.

His pay for the last 3 months are as follows:

June 2018 - £1,500 (£1700 - £200 n/c overtime)

July 2018 - £1,500 (Full sick pay)

August 2018 - £1,500 (Full sick pay)

1. APP - £1500 + £1500 + £1500 / 3 x 12 = £ 18, 000 yearly APP figure

2. APP - £1500 + £1500 + £1500 / 3 x 12 (+ £2400 for non contractual overtime) = £20, 400

Mr Struggling

Dates	Calculation	Career Average Pay
01/04/2018 – 30/06/2018 In work	£1,700 x 3 months Inc £200 ncot	£5,100 actual pay
01/07/2018 – 31/08/2018 Sick – on full pay	£1,500 x 2 months	£3,000 actual pay
01/09/2018 – 31/10/2018 Sick – on half pay	£1,700 x 2 months (APP)	£3,400 APP
01/11/2018 – 31/03/2019 Sick - no pay	£1,700 x 5 months (APP)	£8,500 APP
Total CARE Pay		£20,000

Exercise 6 – Assumed Pensionable Pay

Examples – APP and Employer Contributions

Member went onto half pay due to sickness on the 16/06/2018 and left on the 31/07/2018:

March £1000
April: £1100
May: 1100
June: £825
July: £550

£1000 + £1100 + £1100 = £3200
£3200 x 3/12 = £12,800 (APP)
£1066.67 (Monthly Value)

Therefore:

01/06/2018 – 15/06/2018 = £550 (Actual Pay)
16/06/2018 – 30/06/2018 = £1066.67 x 15/30 = £533.33 (APP)

June: £1083.33

01/07/2018 – 31/07/2018 = £1066.67

July: £1066.67

Amount that needs to reported to GMPF and also the amount you should pay Contributions on*

*Different if the member is on reserve forces leave, employer doesn't pay contributions, MoD and employee pay contributions based on APP

Additional Unpaid Child Related Leave

- *If a member goes onto additional unpaid child related leave then this is when **APP DOES NOT** apply. In these cases the amount of CARE pay to be reported would be NIL…..Even if the member buys this back. The amount bought back should be entered into the APC column on I Connect / Year End*

- *The member can elect to 'buy this' back. This is done via an **Additional Pension Contribution (APC).** If the member elects to do this within 30 days of returning to work then the employer must pay 2/3rds of the cost – SCAPC.*

- *An APC Calculator is available via the GMPF website.*

- *Strike breaks are not periods of 'relevant leave' and so although the member can buy back the lost pension – This is at entirely their cost*

- *However, notional pay should be provided for the final salary pensionable pay as it would be unfair for this leave to have an impact on previous final salary membership*

SCAPC

Absence Summary

- When a member goes onto periods of 'Relevant Leave' then their Pensionable Pay is replaced with:
  - Pensionable CARE pay replaced with Assumed Pensionable Pay
  - Pensionable Final Salary Pay replaced with Notional 'As Was' pay
- If the member goes onto NO pay as a result of sick leave and is in the 50/50 scheme they must be put back into the main scheme at the start of the following pay period
- The member pays contributions based on their actual pay, employer pays contributions on the Assumed Pensionable Pay (Except when on reserve forces leave)
- Don't forget to still provide the Final Salary pay – Notional Pay
- If you don't have 3 months or 12 weeks pay prior to the leave, use whatever complete periods are available and scale up to 12 months
- Strike breaks will affect employees benefits as this wont be covered by Assumed Pensionable Pay.

GMPF Retirement Form – P71 (Same information for P48 Leaver Form)

P71 form - Summary member details (Complete in case pages get separated)

Surname*:	Forename(s)*:
National Insurance number*:	Payroll number*:

3. Extra pension/AVCs (Complete if applicable)

We have given **extra annual pension** of: [Only **redundancy/ efficiency** cases]	£	**Annual ARCs** paid in tax year of leaving:	£
Regular AVCs paid in tax year of leaving:	£	**Extra life cover AVCs** paid in tax year of leaving:	£
Annual APCs paid in tax year of leaving:	£	**Shared cost APCs** paid in tax year of leaving:	£

4. Pay and tax details (Complete sections applicable)

A. Final salary pay* *(Complete only for members with pre-1 April 2014 membership (including where member has aggregated pre-1 April 2014 membership) and for part-time members show the FULL TIME equivalent pay and the ACTUAL pay)*

For period ending: ______ **Pay is:** £

For part time member, actual pay for this period is: £

Optional remarks for A:

FTE pay from last 365 days

Actual pay if P/T

B. Career average pay* *(Pensionable pay (as defined under the 2014 Scheme rules) received during the Scheme year (01/04 to 31/03) including assumed pay (this is referred to as assumed pensionable pay in the regulations and in LGA guidance) treated as having been received. Where a member retires part way through a Scheme year this is the members pay from the 01/04 up to and including the retirement date. Whether the member works part-time or full-time, you should provide the pay they have received during the period)*

Cumulative pensionable pay in the main section of the Scheme

From: ______ To: ______ Pay is: £

From: ______ To: ______ Pay is: £

Have you included an amount of assumed pay in the cumulative pensionable pay? **Yes:** ☐ **No:** ☐

Cumulative pensionable pay in the 50/50 option of the Scheme

From: ______ To: ______ Pay is: £

From: ______ To: ______ Pay is: £

Have you included an amount of assumed pay in the cumulative pensionable pay? **Yes:** ☐ **No:** ☐

Optional remarks for B:

Pensionable CARE pay from 01st April to date of leaving

Tax code*: ______ P45 Attached: ☐ To follow: ☐ Not available: ☐

5. Certified correct by authorised officer (Complete in all cases)

Signature*:	Date*:

GMPF Forms P71 vs P48

- Very common – Ensure the member is leaving **AND** accessing their Pension benefits
- Select the correct type of retirement
- Include FTE and Actual pay for Final Salary benefits– We then check the hours on record and query with you if these don't match.
- Also needed on both forms is the CARE pay. Top line is the YTD and second line is for the previous year
- Backdated pay – For final salary benefits this related to when it was earnt….for CARE benefits its when it was received
- Also include AVC contributions for the current year – Annual Allowance

Summary

- Always bear in mind the difference between CARE Pensionable Pay and Final Salary Pensionable pay
- Members benefits are based purely on the pay received by employers
- Include APP and Notional pay when employees are on certain types of leave
- When a member leaves – Are they over 55? Do they want to access their benefits as GMPF will then need a P71 not a P48
- Employees with separate posts need separate lines on I Connect and separate forms when leaving
- GMPF now need the FTE pay for part timers
- **We are here to help**

Contact Us

- employer@gmpf.org.uk
- **0161 301 7200**