



This is a summary of Southwark Council's process of calculating CARE pay for members.

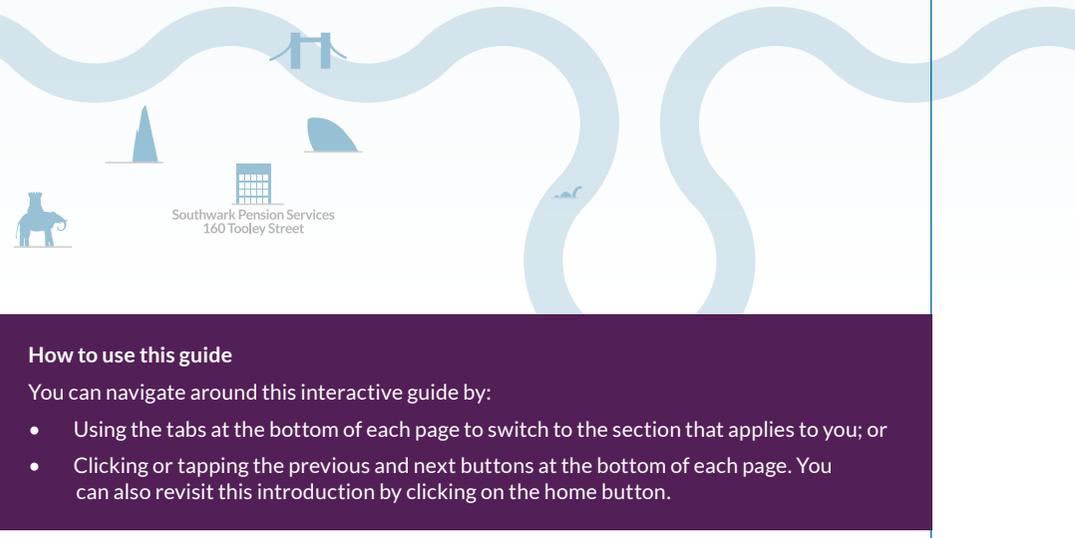
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In addition to the guide, the Fund website [www.southwarkpensions.co.uk](http://www.southwarkpensions.co.uk) contains more information. Southwark Pension Services are also here to help. You can contact them on:

✉ [lbspensions@southwark.gov.uk](mailto: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.

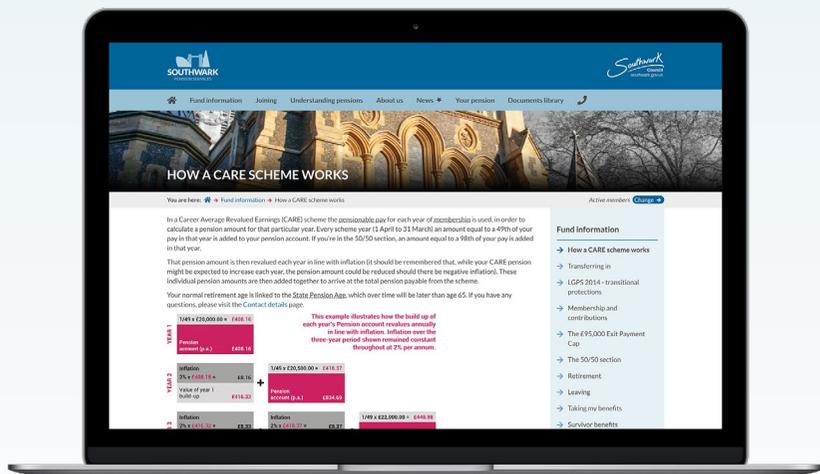


# QUESTIONS 1 AND 2

## Question 1

From what date do we need to calculate CARE pay?

CARE came into effect from 1 April 2014.



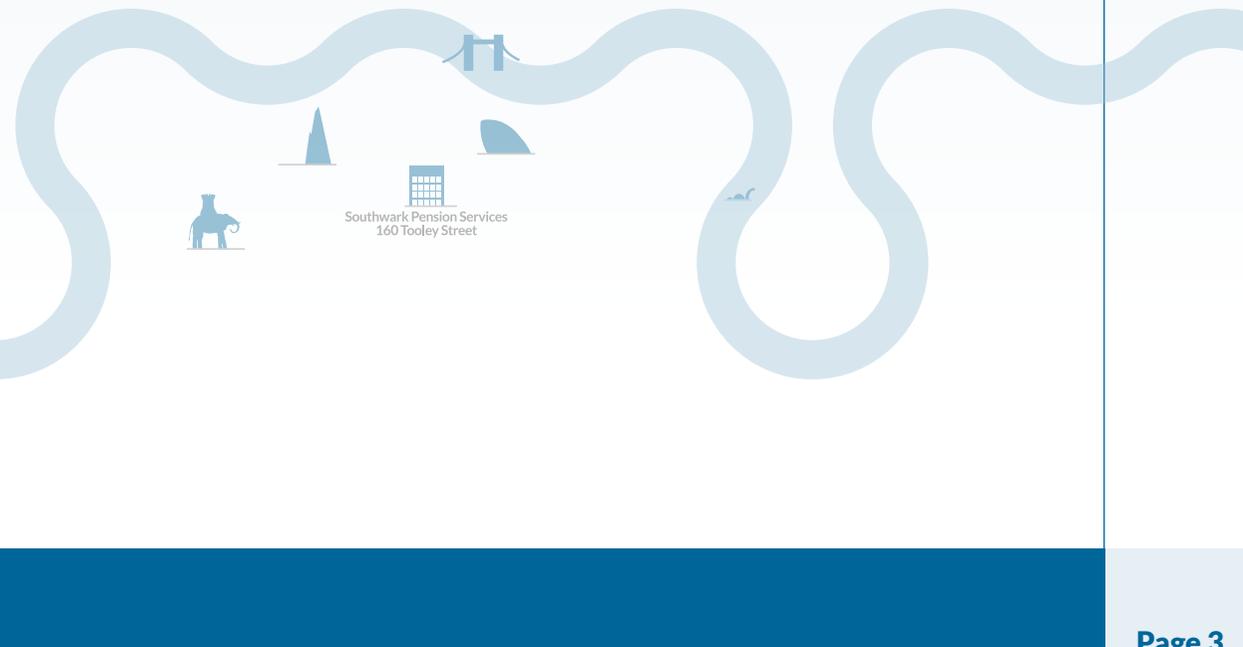
## Question 2

What happens if someone was off sick or on child-related leave and their pay was reduced as a result of the same?

If a member is off work due to sickness or maternity/child-related leave or injury and their contractual pay is reduced, or they don't receive any pay, then a notional pay figure is used to calculate their pension to make sure it's not affected.

This notional pay is called the Assumed Pensionable Pay. The employer is required to calculate the assumed pay for the period of absence.

To do this the employer will normally calculate the average of the Pensionable Pay the member received for the three months (or 12 weeks if they're paid weekly) before the pay period in which the pay was reduced.





# ASSUMED PENSIONABLE PAY (APP)

For example, a member's Pensionable Pay is reduced to half pay for the period 1 July to 31 December due to sickness absence. Their employer calculates the APP by calculating the average of the three complete months' Pensionable Pay received before the pay period in which the pay is reduced.

April	+	May	+	June	=	£3,700	÷3	£1,233.33
								per month
£1,200		£1,200		£1,300				

In this case the member's pay increased from 1 June to £1,300 per month (£15,600 per year) due to an annual pay award.

£1,233.33 × = £7,399.98

6 (months)

Please note that member pays their basic pension contributions on the reduced pay they actually receive and not based on the APP.



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160 Tooley Street



# LGPS CHANGED TO CARE ON 1 APRIL 2014

The LGPS in England and Wales moved to a CARE scheme from 1 April 2014. Just like the final salary scheme, it's still deemed to be a Defined Benefit Scheme but with fundamental differences as to how it's calculated.

The final salary 60<sup>th</sup>s scheme (60<sup>th</sup> from 1 April 2008, prior to this, it was an 80<sup>th</sup> accrual rate for pension) meant that each year the pension accrual was the pensionable salary for that year divided by 60.

The LGPS 2014 regulations brought in the CARE scheme with an accrual rate of 1/49<sup>th</sup> with a revaluation rate equal to the Consumer Price Index (CPI). The Government Actuaries Department (GAD) believed broadly speaking, that the final salary scheme was equivalent to a 49<sup>th</sup>s CARE scheme with CPI indexation.

Earlier we covered the elements that fall within pensionable pay in both the 2008 final salary scheme and the 2014 CARE scheme.

Consideration must be taken as there are differences in the elements that are deemed pensionable.



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# WHAT'S INCLUDED AND EXCLUDED IN CARE PAY?

## Pay that is pensionable includes:

- Basic pay
- Contractual overtime
- Non-contractual overtime in CARE scheme (remains non-pensionable under the final salary regulations)
- London weighting allowance
- Bonus
- Honorariums
- Shift allowance
- Additional response
- Sleeping in allowance
- Statutory sick pay (SSP)/statutory maternity pay (SMP)

## Pay that is not pensionable includes:

- Travelling or subsistence allowance
- Pay in-lieu of notice
- Car allowance
- Any payment in consideration of lost holidays
- School achievement awards



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# CALCULATING CARE PAY AND HOW CARE PENSION BENEFITS ARE ACCRUED

CARE pay calculations are required for each year from 1 April 2014 to 31 March 2015 and then each year from 1 April thereafter.

Simply take the pensionable elements paid to the member from each month's pay records and record on a spreadsheet.

If the member has been on reduced pay due to sickness, maternity/child-related leave you'll need to calculate the Assumed Pensionable Pay as shown earlier so that the member isn't penalised.

For example, a starting salary in the 2014 scheme was £20,000.

We know that the accrual rate is 1/49<sup>th</sup> and here, there were no pensionable extras to consider.

Year	Build up in Scheme (pay/build up rate = pension)	Plus	x1.04*	Total pension
1	£20,000/49 = £408.16	-	-	-
2	£20,800/49 = £429.49	Year 1	£408.16	£848.98
3	£21,632/49 = £441.47	Years 1 and 2	£848.98	£1,324.41
4	£22,497/49 = £459.12	Years 1, 2 and 3	£1,324.41	£1,836.51
5	£23,397/49 = £477.49	Years 1, 2, 3 and 4	£1,836.51	£2,387.46

\* Based on an assumed cost of living adjustment of 1.04 for the purpose of this example only.



## DON'T FORGET...

Pensionable Pay under the CARE scheme includes both contractual and non-contractual overtime.

However **under the previous final salary pension scheme (pre 1 April 2014) non-contractual overtime is still deemed to be a non-pensionable element of pay.**

Therefore when calculating a final pay figure under these regulations, you must only include **contractual overtime** in this calculation.



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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](http://www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form)

[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

[lbspensions@southwark.gov.uk](mailto: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](http://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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SE1 2QH

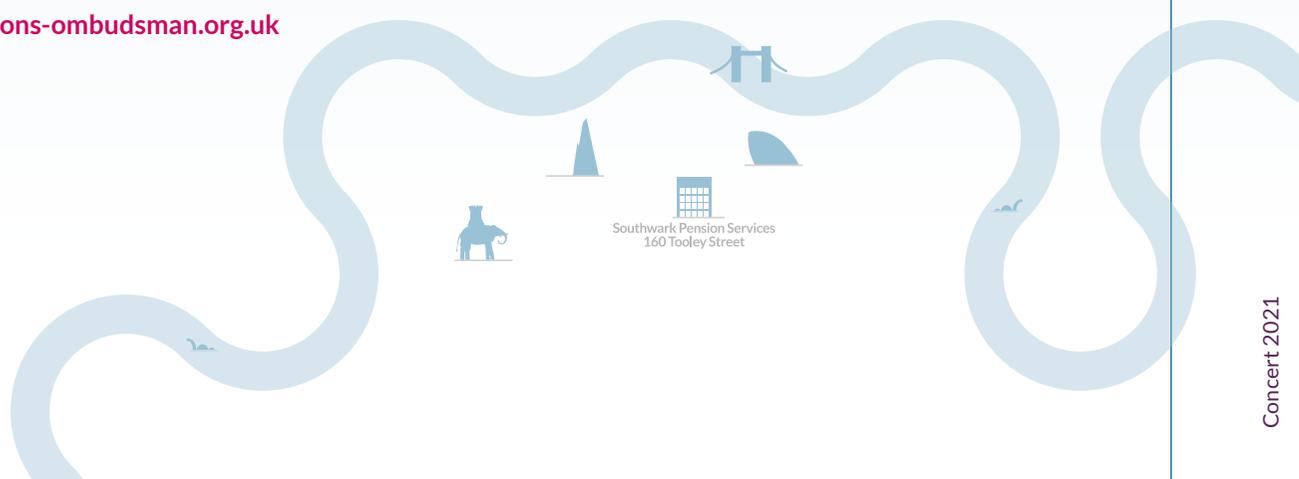
[www.lgpsmember.org](http://www.lgpsmember.org)

#### Useful LGPS websites:

[www.lgpsmember.org/arm/already-member-how.php](http://www.lgpsmember.org/arm/already-member-how.php)

[www.lgpsmember.org/more/penpay.php](http://www.lgpsmember.org/more/penpay.php)

[www.lgpsmember.org/more/APP.php](http://www.lgpsmember.org/more/APP.php)



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