How to calculate Assumed Pensionable Pay (APP)

Version 1.0

Contents

What is Assumed Pensionable Pay (APP)

Assumed Pensionable Pay (APP) is a notional pay figure that employers must calculate when a member's pensionable pay is reduced because they're absent from work.

When these reductions occur, a member will pay reduced or no contributions into the scheme, so to protect the benefits being earned in the Career Average Revalued Earnings (CARE) Scheme, Assumed Pensionable Pay (APP) is used to maintain the level of benefit entitlement due to the member.

Effectively this notional pay figure is used to make sure a member's pension builds up as if they were at work receiving their normal pay.

When does Assumed Pensionable Pay (APP) apply

There are four main scenarios when Assumed Pensionable Pay (APP) is required (with number 1 being the most common you will come across), and as result you as the employer must calculate, and report an Assumed Pensionable Pay (APP) figure.
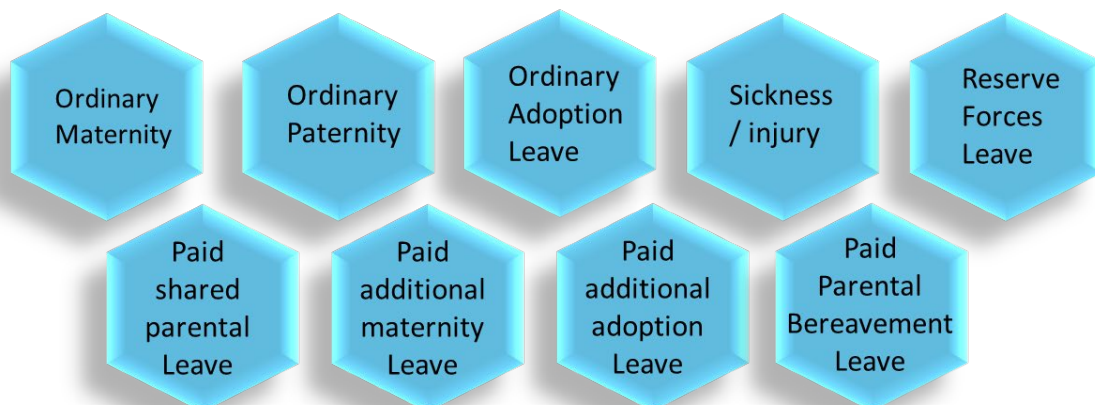
Assumed Pensionable Pay (APP) is required for

1. **Absence** – during periods of protected types of leave
2. **Death In Service of an active member** – calculation of death grant and enhancement to dependents pension
3. **Permanent Ill Health awarded on either Tier 1 or tier 2** – calculate the ill health enhancement attached to a tier 1 or tier 2
4. **Tier 3 ill health pension which is subsequently uplifted to a Tier 2 ill Health pension2** – calculate the ill health enhancement attached to a tier 2

Assumed Pensionable Pay must be provided in all scenarios listed above

Absence

The most common scenario that you will come across Assumed Pensionable Pay (APP) for is absence. It protects a member from the effects of certain types of reductions in their pay, known as protected types of leave.

Assumed Pensionable Pay will apply when a member has a period of

Assumed Pensionable Pay (APP) needs to be calculated and included in CPP figures if a member has been on reduced or no pay due to sickness or relevant child-related leave. The Assumed Pensionable Pay (APP) amount replaces any actual pay that the member received while on reduced pay

Sickness or injury leave

Assumed Pensionable Pay (APP) applies where a member is absent due to sickness or injury, and the point where their contractual pay is either reduced, or they are receiving nil pay.

Assumed Pensionable Pay (APP) does not apply during any part of the period of sickness when the pensionable pay received is higher than the Assumed Pensionable Pay (APP). This can occur if the member takes paid annual leave during a period of sickness, which they're entitled to do.

Ordinary maternity or adoption leave

Assumed Pensionable Pay (APP) applies during a period when a member is on ordinary maternity leave (OML) or ordinary adoption leave (OAL) This is generally for the first 26 weeks of leave.

If the member receives pensionable pay which is higher than Assumed Pensionable Pay (APP) such as during a Keeping in touch day (KIT), Assumed Pensionable Pay (APP) does not apply. The Keeping in touch day is based on the actual pensionable pay which should be used instead and Assumed Pensionable Pay (APP) applied to the remaining days of the month.

Important: During ordinary maternity leave (OML) or ordinary adoption leave (OAL), Assumed Pensionable Pay (APP) does apply even if the member is receiving no pay.

Paid additional maternity or adoption leave

Assumed Pensionable Pay applies when a member is on paid additional maternity or adoption leave. This is generally from week 27 to week 39.

If the member receives pensionable pay which is higher than Assumed Pensionable Pay (APP), such as during a Keeping in touch day (KIT), Assumed Pensionable Pay (APP) does not apply. The Keeping in touch day is based on the actual pensionable pay which should be used instead and Assumed Pensionable Pay (APP) applied to the remaining days of the month.

If the member receives **no pay** during additional maternity or adoption leave, then Assumed Pensionable Pay (APP) does not apply. This should be treated as authorised unpaid leave.

Paid shared parental leave

Assumed Pensionable Pay (APP) applies when a member is on paid shared parental leave.

If the member receives pensionable pay which is higher than Assumed Pensionable Pay (APP), such as during a 'shared parental leave in touch' (SPLIT) days, Assumed Pensionable Pay (APP) does not apply. The 'shared parental leave in touch' day is based on the actual pensionable pay which should be used instead and Assumed Pensionable Pay (APP) applied to the remaining days of the month.

Assumed Pensionable Pay (APP) does not apply during unpaid shared parental leave. This should be treated as authorised unpaid leave.

Paternity leave

Assumed Pensionable Pay (APP) applies during periods of paternity leave whether the leave is paid or unpaid.

If the member receives pensionable pay which is higher than Assumed Pensionable Pay (APP), then Assumed Pensionable Pay (APP) does not apply. The actual pensionable pay should be used instead.

Reserve forces service leave

A member who takes reserve forces service leave can choose to stay in the LGPS.

If they decide to stay in the LGPS, then Assumed Pensionable Pay (APP) applies for the whole period of reserve forces service leave.

The Assumed Pensionable Pay (APP) figure must be reported to the administering authority as usual. It must also be reported to the Ministry of Defence who will collect the employer and employee contributions that are due.

Paid Parental bereavement leave

Assumed Pensionable Pay (APP) applies when a member is on parental bereavement, and they are receiving some pay.

Assumed Pensionable Pay (APP) does not apply during unpaid parental bereavement leave. This should be treated as authorised unpaid leave.

Death In Service

Where a member dies in service the lump sum death grant and aspects of the survivor's pension benefits are based on the Assumed Pensionable Pay (APP) figure. The employer will need to provide an Assumed pensionable Pay (APP) figure.

The death grant for an active scheme member before age 75 is three times the members annual Assumed pensionable Pay (APP) figure prior to the date of death.

For survivors pension benefits there is also an enhancement attached to the death benefits based on the Assumed Pensionable Pay (APP) figure.

Ill Health Retirement

If a member retires with an enhanced pension (tier one or two) the employer will need to calculate the annual APP figure which will then be used to calculate the ill health enhancement.

The employer should provide the Assumed Pensionable Pay (APP) figure to West Yorkshire Pension Fund (WYPF) along with the usual leaver information on the retirement notification.

If ill health retirement is selected as the reason for leaving, the online web form will prompt you to provide the Assumed Pensionable Pay (APP) Figure.

How are Pension Contributions Treated

During periods of Assumed Pensionable Pay (APP), the contributions for members and Employers are treated differently. Please see below detailing how the contributions are treated.

Employee Contributions (EE's)

Where a member has a reduction in pay and Assumed Pensionable Pay (APP) should be applied, the pension contributions for a member are based on the actual pay received during that period.

If the member is on reduced pay the contributions are based on the pay received and if the member is on nil pay, they will not pay any contributions.

Employer Contributions (ERs)

Employer contributions should continue to be paid at a level similar to what it was before the child-related leave started (i.e. employer contributions do not reduce even though the employee's pay and contributions do).

The employer must therefore calculate an Assumed Pensionable Pay (APP) amount for the period of relevant child related leave and should pay employer contributions based on the Assumed Pensionable Pay (APP) amount.

The Assumed Pensionable Pay (APP) figure that the employer pays contributions on must be included in the cumulative pensionable pay figure for the member that is provided in the March annual return submitted to West Yorkshire Pension Fund every year.

When a member is on **reserve forces leave** the employer contributions will be paid by the Ministry of Defence.

Absence	APP Applies	Pension Protected	Employer contributions payable
Ordinary maternity / paternity / adoption leave	✅	✅	**APP, unless actual pay is higher**
Sickness / Injury	✅	✅	APP
Paid additional Maternity & additional adoption leave	✅	✅	**APP, unless actual pay is higher**
Paid Shared Parental leave	✅	✅	**APP, unless actual pay is higher**
Reserved Forces Leave	✅	✅	APP by MOD
Paid Parent bereavement Leave	✅	✅	**APP, unless actual pay is higher**
Strike/Career Break	❌	❌	❌

Reporting Assumed Pensionable Pay (APP)

Where Assumed Pensionable Pay (APP) is being applied in place of or included as part of normal Cumulative Pensionable Pay (CPP), the cumulative pensionable pay and appropriate contributions need to be deducted and reported to West Yorkshire Pension Fund (WYPF) on the monthly return file and included in your monthly payment.

The assumed pensionable pay figure and subsequent EEs and ERs contributions should be entered into the normal Pay_Main column (AE), EE_CONT_MAIN column and ER_CONTS column.

Please note that the pay main column may contain both cumulative pensionable pay (CPP) and assumed pensionable pay (APP) when a reduction has occurred part way through a month.

Monthly Return File entry	PAY_MAIN	EE_CONT_MAIN	ER_CONTS
example	Total APP & CPP (if applicable)	Based on actual pay received	Based on APP
Jan	3024.18	257.06	719.75

In addition, you will need to calculate assumed pensionable pay (APP) for the member and substitute assumed pensionable pay (APP) for the actual pay when you are providing cumulative pensionable pay (CPP) to calculate benefits on the online Web Form(s) as per below screen shot.

Cumulative pensionable pay (CPP)

To find out more about CPP and Assumed Pensionable Pay (APP), please refer to our "Pay Fact sheet" available here.

CPP in the main section

CPP in year of leaving * £ [   ] [?]

CPP in previous year £ [   ] [?]

CPP in the 50/50 section

CPP in year of leaving £ [   ] [?]

CPP in previous year £ [   ] [?]

How to calculate Assumed Pensionable Pay (APP)

Assumed Pensionable Pay is calculated as an annual rate then applied to the relevant period as a proportion of that rate.

The relevant period for which Assumed Pensionable Pay (APP) applies starts on the date:

1. The employee drops to reduced or nil pay due to sickness or injury
   or
2. When relevant child related leave, or reserve forces leave commences

The process for calculating Assumed Pensionable Pay (APP) is the same regardless of the reason it needs to be applied. The only difference will be the dates it applies to and therefore how you proportion the rate of Assumed Pensionable Pay (APP).

Once you have identified the relevant period, there are four easy steps to follow to calculate Assumed Pensionable Pay (APP).

1.
- Look at the pensionable pay received* in the 3 full months preceding the pay period in which APP becomes effective

2.
- Take off any lump sums or "extras" received during that period (regular and irregular)

3.
- Gross up to annual amount

4.
- Add back in any regular lump sums received during the 12 months preceding the effective date.
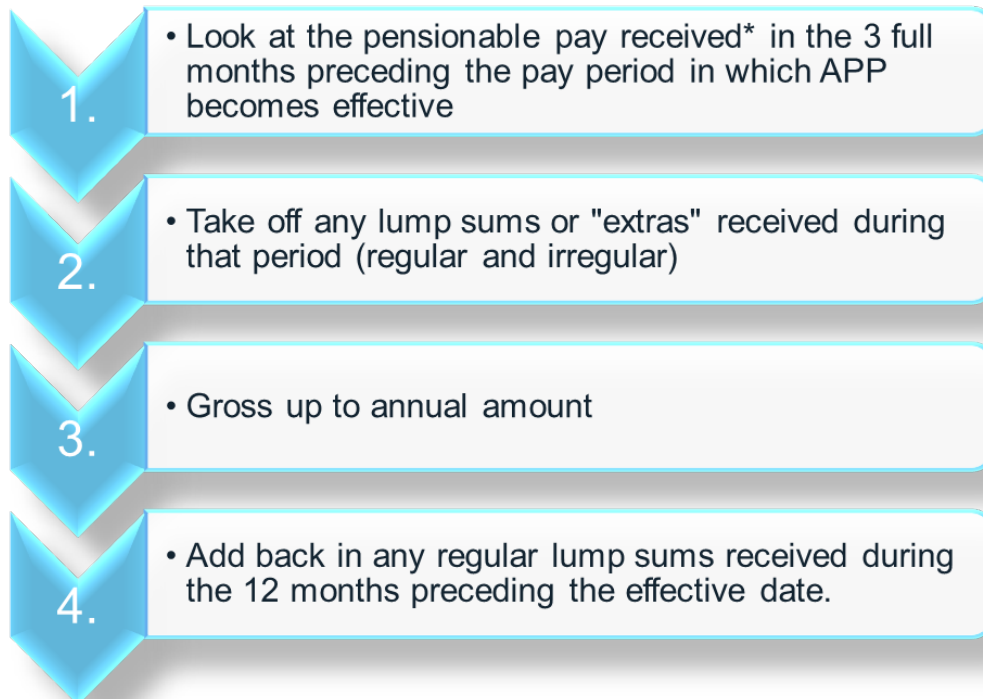
Please note Assumed Pensionable Pay is only recalculated where it continues for a period that crosses two 31st March dates – Please see Adjusting section below

Using the four step's above calculating Assumed Pensionable Pay would look like the following example: -

Step 1
Look at the 3 full months prior to reduction:
March £1000
April £1200
May £1200
June £920
July £600

Step 2
Deduct any regular / irregular lump sums (none in this case)

Step 3
Annualise (£1000 + £1200 + £1200) /3 x 12 = £13600

Step 4
Add back in any lump sums from the past 12 months
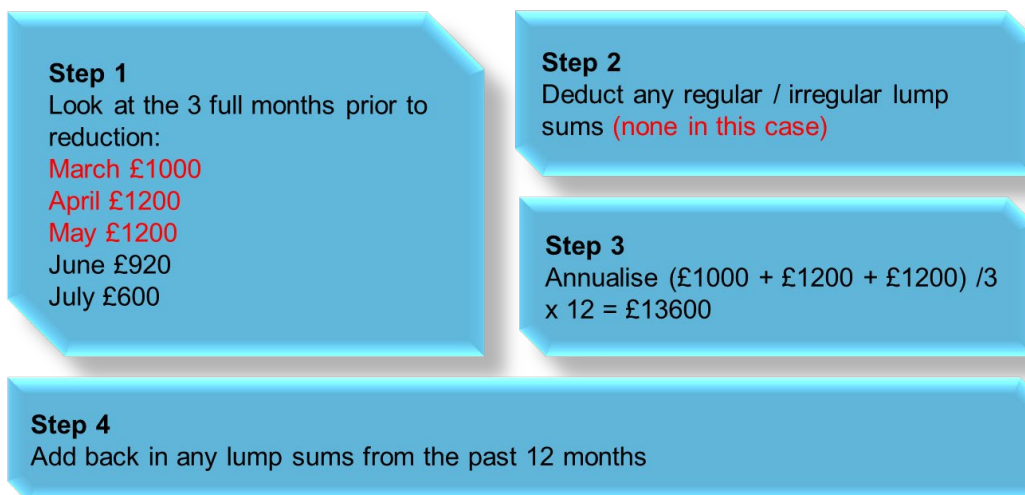
if there are no lump sums (regular or irregular) and no change in the members pay each month, the calculation is simplified by using one month to gross straight up to annual amount £1,500 x12 = £18,000 no need to calculate the average

Proportioning

Decide what proportion of the annual APP that you calculated needs to be added in to CPP – this will be the length of the relevant period. If the relevant period is not in complete months or weeks, proportion it for the part pay period.

Calculate this just as you would to pay somebody for a part month.

If APP applies for the period 1 May 2024 to 3 August 2024 use three complete months and three days from August.

Example – proportioning three days' pay

For three days in August this could be:

1. Annual rate/365 x 3 e.g. 24000/365x3 = £197.26
2. Annual rate/12 x 3/31 e.g. 24000/12x3/31 = £193.55

   Please note due to rounding's depending on approach used can provide a slightly different figure. Employers must use a consistent approach

Assumed Pensionable Pay (APP) – following pay award

In the regulations, there is no provision to recalculate assumed pensionable pay (APP) following a backdated pay award.

You must calculate assumed pensionable pay using the pay received in the three months / 12 weeks immediately before the absence, and the point where their contractual pay is either reduced, or they are receiving nil pay.

If a backdated pay award is received during an absence, you ignore it when you work out assumed pensionable pay.

Adjusting Assumed Pensionable Pay (APP)

Assumed Pensionable Pay is adjusted where Assumed Pensionable Pay (APP) continues for a period that crosses two 31st March dates.

The adjustment takes place at midnight on the second 31st March following the date assumed pensionable pay commenced. For example, if Assumed Pensionable Pay (APP) commenced 1 April 2020, the APP figure would not be adjusted until 31 March 2022.

The adjustment to Assumed Pensionable Pay (APP), is based on the percentage adjustment specified in the Treasury Revaluation Order for that Scheme Year. Effectively, you would use the same percentage adjustment that the active CARE account is adjusted by.

Example
Annual Assumed Pensionable Pay (APP) figure is £13,600, and the percentage adjustment is 3.1%

£13,600 + 3.1% = £14,021.60
Annual APP: £14,021.60
Monthly Value: £1,168.47

Examples

As mentioned earlier, the process for calculating and applying Assumed Pensionable Pay (APP) remains the same for the different scenarios that it is applied.

We have provided a variety of Assumed Pensionable Pay (APP) calculation scenario examples to assist and aid in your understanding.

The examples provided cover the most common scenarios that you should encounter, if you require any further assistance regarding a specific scenario, then please do contact your Pension Fund representative (PFR) or the Employer relation Team direct please visit the dedicated webpage [Your Employer Relations Team](#)

Example 1: Sickness

Member goes on sickness on 1 January 2024. Receives 6 months full pay £1,500 to 30th June 2024 and then goes on half pay £750.00 from 1 July 2024

The assumed pensionable pay is calculated using the average pay received from the last three full months prior to the date of reduction, this is April to June 2024:

Step one: - Look at the average of the last 3 full months:

- April 2024 = £1,500

- May 2024 = £1,500

- June 2024 = £1,500

Step two: - Take off any regular and irregular lump sums

– no lumps sums paid

Step Three: - Gross up to annual amount -   £1,500 + £1,500 + £1,500 / 3 *12 = £18,000

Step Four: - add back in any regular lump sums received during the 12 months preceding date of death
– no lumps sums paid

Annual APP: £18,000
Monthly Value: £1,500 (£18,000 / 12) applied going forward with effect 1 July 2024

Monthly return file line entry for member

Monthly Return File entry	Month	PAY_MAIN	EE_CONT_MAIN	ER_CONTS
APP	July	1,500	Based on actual pay received	Based on APP

Example 2: Maternity

Member goes on maternity on 1st May

The assumed pensionable pay is calculated using the average pay received from the last three full months prior to the date of reduction, this is May to July 2024:

Step one: - Look at the average of the last 3 full months:

- February 2024 = £1,659.84

- March 2024 = £2,132.51

- April 2024 = £1,574.35

Step two: - Take off any regular and irregular lump sums

    – no lumps sums paid

- **Step Three: -** Gross up to annual amount -   £1,659.84 + £2,132.51+ £1,574.35 / 3 *12 = £21,466.80

Step Four: - add back in any regular lump sums received during the 12 months preceding date of death

    – no lumps sums paid

Annual APP: £21,466.80

Monthly Value: £1,788.90 (£21,466.80 / 12)

Monthly return file line entry for member

Monthly Return File entry	Month	PAY_MAIN	EE_CONT_MAIN	ER_CONTS
APP	May	£1,788.90	Based on actual pay received	Based on APP

Example 3: Maternity with Keeping In Touch (KIT) Day

Member goes on maternity on 16 June 2023. Member returns to work for Keep In Touch (KIT) days on 16 January and 11 March 2024.

The member's last day of paid additional maternity leave is 15 March 2024, and returns to work on 1 May 2024.

Members normal contractual pay is £24,504 per year (£2,042 per month).

The assumed pensionable pay is calculated using the average pay received from the last three full months prior to the date of reduction, this is March to June 2024:

Step one: - Look at the average of the last 3 full months:

- March 2023 = £2,000

- April 2023 = £1,958

- May 2023 = £2,042

Step two: - Take off any regular and irregular lump sums

– no lumps sums paid

Step Three: - Gross up to annual amount -   £2,000 + £1,958 + £2,042 / 3 *12 = £24,000

Step Four: - add back in any regular lump sums received during the 12 months preceding date of reduction

– no lumps sums paid

Annual APP: £24,000

Monthly Value: £2,000 (£24,000 / 12)

June 2023

Member's cumulative pensionable pay (CPP) is:

CPP: £2042 * 14 / 30 = £952.93

APP: £2,000 × 15 ÷ 30 = £1,000

CPP = £952.93 + £1,000 = £1,952.93

July to December 2023

Members' CPP is:

APP: £2,000

CPP = £2,000

January 2024

Member's cumulative pensionable pay (CPP) is:

APP: £2,000 × 30 ÷ 31 = £1,935.48

KIT day: £2,042 × 1 ÷ 31 = £65.87

CPP = £1,935.48 + £65.87 = £2,001.35

February 2024

Members' CPP is:

APP: £2,000

CPP = £2,000

March 2024

Member's CPP is:

APP: £2,000 × 14 ÷ 31 = £903.23

KIT day: £2,042 × 1 ÷ 31 = £65.87

CPP = £903.23 + £65.87 = £969.10

As Member goes on to additional maternity leave with no pay from 16 March, APP only applies to 15 March.

Monthly return file line entry for member

Monthly Return File entry	Month	PAY_MAIN	EE_CONT_MAIN	ER_CONTS
Cpp + APP	Jun 23	£1,952.93	Based on actual pay received	Based on APP
APP	Jul to Dec 24	£2,000	Based on actual pay received	Based on APP
APP + CPP	Jan 24	£2,001.35	Based on actual pay received	Based on APP
APP	Feb 24	£2,000	Based on actual pay received	Based on APP
APP + CPP	Mar 24	£969.10	Based on actual pay received	Based on APP

Example 4: Ill Health

Member goes on ill health retirement on 22nd April 2023

Member went on sickness full pay from 1 April 2022 (£2,000) and went on half pay from 1 October 2022 (£1,000).

The member was a refuse collector and was in receipt of regular overtime £500 per month prior to going on sickness, which is not paid during the full pay sickness.

The assumed pensionable pay is normally calculated using the average pay received from the last three full months prior to the date of retirement, which in this example would be July to September 2023.

However, as this member was on sickness prior to calculating APP we need to go back to the last three full months before sickness. We can go all the way back to January to March 2022 as the regulations say if the annual rate of APP is lower than the pensionable pay the member normally receives, the employer may substitute a higher figure. They must consider the pensionable pay the member received in the last 12 months when they do this.

Step one: - Look at the average of the last 3 full months:

- January 2022 = £2,500

- February 2022 = £2,500

- March 2022 = £2,500

Step two: - Take off any regular and irregular lump sums

- no lump sums paid

Step Three: - Gross up to annual amount - £2,500 + £2,500 + £2,500 / 3 *12 = £30, 000 or as same amount each month can just use one month to annualise £2,500 x 12

Step Four: - add back in any regular lump sums received during the 12 months preceding date of ill health retirement

      – no lump sums paid

Annual APP: £30,000

Example 5: Death In Service

Member dies in service on 16th December 2024

The assumed pensionable pay is calculated using the average pay received from the last three full months prior to the date of death, this is September to November 2024:

Step one: - Look at the average of the last 3 full months:

- September 2024 = £1,400
- October 2024 = £1,400
- November 2024 = £2,400 – (£800 lump sum back dated pay award)

Step two: - Take off any regular and irregular lump sums

      – £800 back dated pay award

Step Three: - Gross up to annual amount -   £1,400 + £1,400 + £1,600 / 3 *12 = £17,600

Step Four: - add back in any regular lump sums received during the 12 months preceding date of death

      – £800 back dated pay award

Annual APP: £18,400