Oracle Fusion Cloud Human Resources

Administering Local Government Pension Scheme for the United Kingdom

24B

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4 Getting Started

Introduction to Local Government Pension Scheme

The local government pension scheme (LGPS) is available to employees working in local government or working for other employers participating in the scheme.

It comprises these qualifying main scheme and the additional optional contribution types to which employees can also contribute:

- Main Career Average Revalued Earnings (CARE) scheme
- Includes 50/50 section
- Additional contributions
- Additional Pension Contributions (APC)
- Shared Cost Additional Pension Contributions (SCAPC)
- Additional Voluntary Contributions (AVC)
- Shared Cost Additional Voluntary Contributions (SCAVC)
- Preston Part-time Buy-Back Contributions
- Added Years
- Additional Regular Contributions (ARC)
- Additional Survivor Benefits Contributions (ASBC)
- Personal/Stakeholder Pensions (outside of LGPS)

Use the pre-statutory deductions element template to create the pension scheme, additional contribution types, and related objects. This enables you to:

- Enrol employees into the main CARE scheme (and to the temporary 50/50 section, when required).
- Maintain a balance for previous Final Salary scheme membership (for example, where it is the contribution basis for specific additional contribution types) and for calculating final salaries for employees approaching retirement.
- Select the additional contributions employees contribute into and the amount they pay.
- Calculate your LGPS contributions in accordance with the rules for each scheme or contribution type.
- Automatically recalculate contributions for employees on assumed pay absences.

Note: When defining the pension scheme, you will need to select the employer type. Employer type "Local Government" covers the following, as defined by LGPS:

"The LGPS is offered by local government employers and by other organisations that have chosen to participate in it. If you are employed by a designating body, such as a town or parish council, or by a non-local government organisation which participates in the LGPS as an admission body, you can only join if your employer nominates you for membership of the scheme. Police officers, operational firefighters and, in general, teachers and employees eligible to join another statutory pension scheme (such as the NHS Pension Scheme) are not allowed to join the LGPS."

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By selecting "Local Government" as the employer type, the element template will create elements, balances, calculation value definitions, formula etc. specific to calculating the deductions for LGPS. These payroll objects will not be suitable for all public sector pensions.

5 Calculation Cards

Create Public Sector Payroll Information Card

Use the Public Sector Payroll Information calculation card to reassess the appropriate band to calculate the employee's LGPS rate, at a frequency that meets your business needs.

You can also choose the units for proration of APP.

This calculation card can be created at the Payroll Statutory Unit, and the Tax Reporting Unit Level. Any information entered at the TRU level will override the information at the PSU level.

Follow these steps to create a new Public Sector Payroll Information card:

1. Set the Frequency on the new Public Sector Payroll Information calculation card on Payroll Statutory Unit or Tax Reporting Unit level.
2. Create the Public Sector Payroll Information card with an effective date that is in sync with the start date of the pensionable pay period, e.g. for annual choose the start date of the financial year.
3. Create the calculation component LGPS Information and the calculation component details LGPS Calculation Information.
4. Select the Calculation Rate Frequency:
    - Monthly or Periodically (default value if nothing is selected: valid for monthly or lunar frequencies)
    - Quarterly
    - Semiannual
    - Annual

    Use the field APP Proration Units to define the proration of the Assumed Pensionable Pay based on a daily or workday basis. This unit is used to calculate the employer contributions for a partial pay period in case of reduced pay due to sickness, injury or child related leave.

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6 Elements

Set Up Main Pension Scheme Element

As all new members join the main CARE scheme and existing members transferred to it after 1 April 2014, only a main scheme element is required.

> **Note:** The necessary balances are created to support any calculations that are dependent on final salary for members who had previous enrolment in the final salary scheme.

Create an Element for the Main Pension Scheme:

1. Using the Elements task, click **Create**.
2. In the Create Element window, complete the fields with these values:
   - **Primary Classifications:** Pre-Statutory Deductions
   - **Secondary Classifications:** Pension Plan Pre-Statutory
   - **Category:** Benefit
3. Click **Continue**.
4. Select 'Percentage Deduction' for employee and employer contribution rules and enter any rate.

   > **Note:** This will ignore the value definition and predefined LGPS value definitions will be applied.

5. No pension caps are predefined. You must define these, if required.
6. Ignore the question on Additional Contribution Rules.
7. Select 'Yes' to the question, **Is this a Qualifying Pension Scheme?**
8. When you select 'Yes', an additional question is displayed about the employer type, where you select Local Government.
9. You can then select the normal retirement age for the scheme, in this case, State Pension Age.

After you submit the questionnaire, various objects are generated.

Summary of Objects Created

Object Type	Name
Element	<Base Name>
	<Base Name> Calculator
	<Base Name> Distributor
	<Base Name> Employee Contributions
	<Base Name> Employer Contributions
Rate Table Override	LGPS Employee Pension Rates
	LGPS Employer Pension Rate

Object Type	Name
Additional Input Values	Permanent Pensionable Pay (Employee and Employer Contributions elements)
	Employee Contributions CEC1 (Employee Contributions element)
	Employee Contributions CEC2 (Employee Contributions element)
	Pensionable Pay CPP1 (Employee Contributions element)
	Pensionable Pay CPP2 (Employee Contributions element)
	Final Pensionable Pay (Employee Contributions element)
	Assumed Pensionable Pay (Employee and Employer Contributions elements)
	Annualized Permanent Pensionable Pay (Employee Contribution element)
	Calculation Rate Frequency
	Calculated Pensionable Pay
Additional Balances	Employee Contributions CEC1
	Employee Contributions CEC2
	Pensionable Pay CPP1
	Pensionable Pay CPP2
	Final Pensionable Pay
	Permanent Pensionable Pay
	Assumed Pensionable Pay
	Calculated Pensionable Pay
Additional Value Definition	<Base Name> Normal Retirement Age
	<Base Name> Employer Type for Pension
Additional Data Capture on Card	Member of 50/50 Section
Formulas	<Base Name> Pension Calculator
	<Base Name> Pension Distributor

Note:

- The calculated pensionable pay balance is a delivered balance used by the payroll process to calculate the annualized permanent pensionable pay when the calculation rate frequency is either quarterly or semi-annual.
- To use a frequency other than the default of monthly, you will need to create a new element. This will ensure that the necessary objects, such as element input values and balances, are available.

Once the element is created, a formula is generated with the rules specific to the scheme being created. The formula includes:

- The calculation of employee and employer calculation rates.

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- Switching employer contributions to use assumed pensionable pay when assumed pay absences apply.

Other global objects may be created, including balances that are created for all pre-statutory deductions, such as eligible compensation, and also additional calculation value definitions that aren't specific to LGPS. Those aren't listed here.

Create Element Eligibility

You must define eligibility for the main pension scheme element.

This allows the Pensions Automatic Enrolment process to create the Qualifying Scheme Component and associated element entries when the employee is eligible to join the scheme. You can't manually add a pension scheme to an employee's Benefits and Pensions card without eligibility.

> **Note:** It isn't necessary to define eligibility for the Employee and Employer Contribution elements as these are indirect elements.

Additional Steps to Work with Different Frequencies

You can set up frequencies on a quarterly, semiannual or annual basis.

To work with the frequencies quarterly, semiannual or annual you have to:

1. Create a new Main Pension Scheme element.
2. Create different Rate Definitions for:
   o Semiannual and Quarterly frequencies
   o Monthly or Periodically and Annual frequencies

> **Note:** When creating new rates, the effective date of these definitions should be earlier than the effective date of the main pension scheme element so that the values are available at time of calculating them.

Rate Definition Semiannual and Quarterly:

Field	Description
Rate Definition:	
Contributor Type	Balance
Category	Derived Rate
Employment Level	Payroll Assignment
Reporting Required	No
Calculate Live Rates	Yes

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Field	Description
Periodicity	Set it to Null
Periodicity Conversion Formula	Standard Rate Annualized
Rate Contributor:	
Reference Date	
Balance Name	<BaseName>Calculated Pensionable Pay
Balance Dimension	Assignment, No Calculation Breakdown, Tax Year to Date
Periodicity	Set it to Null

Note:

- For quarterly and semiannual frequencies the conversion formula Standard Rate Annualized is used and Periodicity should be blank.
- Field Reporting Required should be unchecked because it will not be picked up the HCM Generate Rate Process.

Rate Definition Monthly and Annual:

Field	Description
Rate Definition:	
Contributor Type	Balance
Category	Derived Rate
Employment Level	Payroll Assignment
Reporting Required	No
Calculate Live Rates	Yes
Periodicity	- Set Calendar Month, if Calendar Monthly Payroll - Set to Null, if Lunar Payroll
Periodicity Conversion Formula	Standard Rate Annualized
Rate Contributor:	
Reference Date	
Balance Name	<BaseName>Permanent Pensionable Pay
Balance Dimension	Assignment NoCB Period to Date

Field	Description
Periodicity	○ Set Calendar Month if Calendar Monthly Payroll ○ Set to Null if Lunar Payroll

3. Create Calculation Value Definitions (one for Semiannual and Quarterly and one for Monthly or Periodically and Annual frequency calculation) and use the Rate Definitions created in the previous step.
4. Select 'Effective Date' as the **Retrieval Date** and create the Calculation Values for an effective From and To Value. Assign one of the Rate Definitions created above.
5. Add these calculation values to the **Main Pension Scheme <BaseName> Calculator** element.
6. On the left panel, click **Calculation Factor**.
7. Click the **Create** icon to create a new calculation factor as shown here:

Field	Description
Calculation Method	
Calculation Step	LGPS Calculation Rate Frequency - Semiannual or quarterly
Calculation Value Definition	Select the Calculation Value Definition created in previous step for Semiannual and Quarterly

Field	Description
Calculation Method	
Calculation Step	LGPS Calculation Rate Frequency (Note: this is for Monthly or Periodically and Annual)
Calculation Value Definition	Select the Calculation Value Definition created in previous step for Monthly or Periodically and Annual

> **Note:** All created calculation factors (monthly/annual and quarterly/semi-annual) have to be be assigned to the newly created Main Pension Scheme Calculator element.

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7 Rates

Overview of Contribution Rates

Employee contributions to the main scheme are calculated using salary bands that are based on actual Annual Pensionable Pay for a full scheme year.

The employee pays contributions at the appropriate band rate on all pensionable pay received for that job (or at half that rate, if the employee is in the 50/50 section).

For calculating the Annual Pensionable Pay you can choose between different frequencies (see calculation card Public Sector Payroll Information on PSU or TRU level):

- Monthly or Periodically (default value if nothing is selected: valid for monthly or lunar frequencies)
- Quarterly
- Semiannually
- Annually

Although you must reassess the appropriate band and rate each April, you can also review and change them periodically or when there is a material change in pay.

The employer contribution rate is applied to all employees in your organization. It is a percentage of an employee's pensionable earnings for the period or, if they are on an assumed pay absence, the assumed pay balance for the period.

See the Absences and Assumed Pensionable Pay topic for more information on contributions calculations during assumed pay absences.

Employee Rates

An empty calculation value definition is predefined to store salary bands and corresponding contribution rates.

You can maintain the rates in accordance with the current legislation.

Calculation Value Definition for Employee Rates:

- **Calculation Value Definition Name:** LGPS Employee Pension Rates
- **Value Definition Group:** Public Sector Pension rates
- **Calculation Type:** Flat Amount

Update Calculation Value Definition

Follow these steps to update the public sector pension employee rate calculation value definitions to reflect current values:

1. Use the Calculation Value Definitions task, and search for the LGPS Employee Pension Rates value definition LGPS.

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2. Select the Value Definition and enter the calculation values. For example, enter the employee rates for the 2019 tax year as shown here:

LGPS Employee Pension Rates (2019)

Start date	Low	High	Rate	Calculation Type
01-Apr-2019	0	14,400	5.5%	Flat Amount
01-Apr-2019	14,401	22,500	5.8%	Flat Amount
01-Apr-2019	22,501	36,500	6.5%	Flat Amount
01-Apr-2019	36,501	46,200	6.8%	Flat Amount
01-Apr-2019	46,201	64,600	8.5%	Flat Amount
01-Apr-2019	64,601	91,500	9.9%	Flat Amount
01-Apr-2019	91,501	107,700	10.5%	Flat Amount
01-Apr-2019	107,701	161,500	11.4%	Flat Amount
01-Apr-2019	161,501	9999,999,99	12.5%	Flat Amount

Update this calculation value definition needed to ensure the salary bands and percentages are in accordance with legislative changes.

When entering the new pension year rows, end date the old rows to 31 March YYYY, and the new rows will be effective from 01 April YYYY. To recalculate pension contributions prior to the current year, you must enter the historical rates.

Employer Rates

An empty calculation value definition is predefined to store the employer contribution rate that applies to all legal employers.

This enables you to maintain the rates in accordance with the current legislation. If the rates vary by legal employer, see the topic Multiple Employer Rates.

Calculation Value Definition for Employer Rate

- **Calculation Value Definition Name:** LGPS Employer Pension Rate
- **Value Definition Group:** Public Sector Pension Rates
- **Calculation Type:** Flat Amount

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The actuarially defined employer contribution rate for a three-year period includes the primary percentage rate and a secondary rate that is either a flat rate monetary value or an additional percentage rate. If one rate applies to all legal employers, enter these rates:

- If both the primary and secondary rate are a percentage rate, enter the combined percentage rate into the LGPS Employer Pension Rate calculation value definition. For example, if the primary rate is 14.3% and the secondary rate is 4.1%, enter 18.4 in the calculation value definition

- If the primary rate is a percentage but the secondary rate is a flat rate monetary value, enter the primary percentage rate into the LGPS Employer Pension Rate calculation value definition. You can pay the flat rate monetary value using Accounts Payable at a time that suits your business requirements.

Update this calculation value definition as needed to ensure the percentage is in accordance with legislative changes.

When entering the new pension year rows, end date the old rows to 31 March YYYY, and the new rows will be effective from 01 April YYYY. To recalculate pension contributions prior to the current year, you must enter the historical rates.

Multiple Employer Rates

If employer contribution rates vary by legal employer, you must create one calculation value definition for each legal employer, and then link it to the legal employer using values defined by criteria.

Note: You don't need to follow these steps if only one rate applies to all legal employers.

Create Calculation Value Definition
Perform the following steps to create calculation value definitions for multiple employer rates:

1. Use the Calculation Value Definitions task to enter the rate for the legal employer.
2. In the Create Calculation Value Definition window, complete the fields as shown here:
    - **Name:** Rate name that is specific to legal employer, for example LGPS EMP 1
    - **Value Definition Group:** Public Sector Pension (Use existing value definition group)
    - **Calculation Type:** Flat Amount
3. Enter the percentage rate for the value definition.
4. Create a second calculation value definition (or more if required) for the second legal employer.
5. Click **Submit**.

Create Values Defined by Criteria
Perform the following steps to create values defined by criteria:

1. Use the Value Defined by Criteria task to create criteria for each legal employer that has its own rate.
2. In the Values Defined by Criteria window, search for the predefined criteria name LGPS Employer Parent Pension Criteria.

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3. Click the criteria name to open it. A default criteria, LGPS Employer Pension Default Rate, is displayed.
   o A default criteria is needed. When adding the new criteria with multiple levels of criteria each level should have default criteria.
   o The predefined value definition "LGPS Employer Rate" will be used for this default criteria. You can define one criteria for a specific Legal Employer, and use the default criteria for other Legal Employers, or define several criteria.

4. Click **Add** to create your own new criteria for a legal employer.

5. Complete the fields as shown here:
   o **Calculation Value Definition Name:** The legal employer calculation value definition this relates to. For example, LGPS EMP1. (This doesn't have to match the name of the calculation value definition you created earlier.)
   o **Value Definition Group:** Public Sector Pension
   o **Retrieval Data:** Effective Date
   o **Database Item Name:** PER_ASG_ORG_LEGAL_EMPLOYER_NAME
   o **Operand:** =
   o **Value Set:** ORA_HRX_GB_LEMP_NAME
   o **Literal Value:** Name of legal employer the criteria applies to.

   You can now link the rate created previously to the legal employer.

6. Click Add and select Value.

7. Complete the fields as shown here:
   o **Calculation Value Definition Name:** Name for the calculation value definition for the legal employer, for example, Rate for Employer 1.
   o **Value Definition Group:** Public Sector Pension
   o **Retrieval Data:** Effective Date
   o **Calculation Type** Flat Calculation
   o **Calculation Value Definition:** Select the calculation value definition you created for the legal employer.

8. Repeat this for the second legal employer (and other legal employers, if required) and then submit.

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8 Balances

Additional Balance Feeds

A number of balances are generated automatically by the element template.

Some of those balances are fed by classifications or secondary classifications; others need to be fed manually:

Balance	Usage	Suggested Feed
<Base Name> Final Pensionable Pay	Basis for calculating contributions under final salary rules, including Added Years and ASBC contributions. Used in reports.	All pensionable earnings elements
<Base Name> Permanent Pensionable Pay	Basis for calculating contributions under current scheme rules. Used in reports.	All pensionable earnings elements

Balance Feeds and Non-Pensionable Earnings Elements

If an allowance or other earnings element is non-pensionable, for example, a subsistence allowance, you must remove its balance feed from the <Base Name> Eligible Compensation balance created for the pension scheme in which it is non-pensionable.

See Absence Rate for Reducing Pensionable Pay to Exclude Non-Pensionable Allowances.

Pensionable Pay

Pensionable pay is defined by the rules of the pension scheme. Typically, pensionable pay is the basic salary, not including elements of your earnings such as bonuses and overtime.

Final Pensionable Pay

The Final Pensionable Pay balance is used to calculate pay for the previous final salary pension scheme. There may be some pensionable earnings that you will want to exclude from the feed if they aren't applicable under the rules of the final salary scheme.

The balance is also used to calculate the full-time equivalent (FTE) amount for employees who had membership of the final salary scheme and who are approaching retirement.

Permanent Pensionable Pay

The Permanent Pensionable Pay balance is used to calculate pay for the main CARE pension scheme, and is therefore in accordance with current rules. There may be some pensionable earnings that you want to exclude from the feed, if they aren't applicable under the rules of the current scheme.

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Employee contributions are calculated using bands that are based on the employee's annual pensionable pay. The Permanent Pensionable Pay balance period-to-date (PTD) figure is annualized in the payroll process, based on periodicity, to reach that annual figure. The range values in the employee rate calculation value definition are checked against that annual figure and the relevant percentage is applied. Permanent pensionable earnings can vary by month or a different frequency and therefore the annual pensionable pay and employee contribution rate will vary accordingly.

The Permanent Pensionable Pay Balance is also used for periods with an absence where there are days with normal eligible compensation and days with reduced or zero compensation due to an absence (e.g. sickness) in the same period. For such cases, the employer contributions are calculated on prorated values of Permanent Pensionable Pay and prorated Assumed Pensionable Pay.

The Permanent Pensionable Pay will be calculated based on a frequency (monthly, quarterly, semi-annually or annually) as available on the Public Sector Payroll Information calculation card. But it is also possible to set an annualized permanent pensionable pay override for the employee on the Benefits and Pension card. You can find more details in topic Manual Enrolment of an Employee into a Local Government Pension Scheme.

The Final Pensionable Pay and Permanent Pensionable Pay balance feeds may or may not differ. Both balances are required because pensionable pay is reported separately for both the final salary and CARE pension schemes.

9 Pension Scheme Enrolment

Automatic Enrolment Processes

Use Pensions Automatic Enrolment to set up pension scheme elements and eligibility rules and the configuration of organization and employee pension automatic enrolment cards.

You can then process eligible employees, and create their Benefits and Pensions card automatically. The pensions automatic enrolment process also handles:

- Contractual and manual enrolment into a qualifying pension scheme such as LGPS
- Opting out of or leaving a scheme.

You specify that a pension scheme is a qualifying Local Government pension scheme during element creation. You can then select it as the default scheme for pension automatic enrolment. The Pension Automatic Enrolment process generates the Pension Payroll ID that is added to the Benefits and Pension card for eligible members. The Pensions Automatic Enrolment card must contain an association detail for the employee's assignment. Without this, their Benefits and Pensions card is created, but without the association.

If your TRU-level Pensions Automatic Enrolment card is configured for automatic assignment association, the association detail is automatically created on the Pensions Automatic Enrolment card. This automatic association option can be enabled at any time, but it will only apply to new cards created thereafter.

For more information on pensions automatic enrolment setup and processing, refer to Oracle Fusion HRMS (UK): Pensions Automatic Enrolment and Functional Considerations (Doc ID 2006584.1) on My Oracle Support (MOS).

Manual Enrolment Processes

If the Pensions Automatic Enrolment process has not created the main pension scheme enrolment for an employee, you can enrol them manually.

Perform the following steps for manual enrolment of an employee:

1. Use the Calculation Cards task to create a new or update an existing Benefits and Pensions card for the employee.
2. Click **Add** to create and then select the pension contribution type for the main pension scheme.
3. Enter the relevant information for the Contribution Type Information: Main Scheme, as required:

Contribution Type Information: Main Scheme

Field	Description
Pension Payroll ID	Enter the employee's eight-digit identifier that is a unique reference to each instance of their main pension scheme contribution type.
Member of 50/50 Section	Select this check box for an employee who is temporarily in the 50/50 section of the main scheme. Information on 50/50 enrolment is in the topic.

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Field	Description
Partial Deduction Allowed	Specify whether partial deduction is allowed or not for this employee.
Payee	List of third-party payees created as pension providers.
Percentage for Employee Contribution	Not used. Contribution rate is stored in calculation value definition.
Percentage for Employer Contribution	Not used. Contribution rate is stored in calculation value definition.
Reference Number	Allows you to record a reference number that may be provided by the third-party pension provider. Note: This is different to the Pension Payroll ID
Assumed Pensionable Pay Override	Enter the annualized amount if you need an exception for the Assumed Pensionable Pay. This amount will be used to calculate the employer rate as long as no end date has been reached.
Annualized Permanent Pensionable Pay Override	Enter the value if you need an exception for the Annualized Pensionable Pay. This amount is only used to determine the basis for the employee rate, as long as no end date has been reached.
Recalculate Monthly	Select this check box to calculate the Annualized Permanent Pensionable Pay based on current monthly Permanent Pensionable Pay disregarding any frequency chosen at a higher level.

Note:
- To avoid incorrect calculations, it's good to set the end date immediately when creating this information.
- An override will not be considered in the payroll period if the end date is before the last day of the payroll period being processed.
- When there is a mid-period hire or termination the Annualized Permanent Pensionable Pay Override can be used to set the value for the whole period, rather than a prorated amount.
- An override is also needed when you migrate your data and the hire date is earlier than the first payroll run. For such cases it happens that there are no calculated periods which are needed to determine the Permanent Pensionable Pay. You can then use the override options for Permanent Pensionable Pay, or Recalculate Monthly flag or you can change the frequency to Monthly.
- The Recalculate Monthly indicator will be active until an end date is entered.

4. Click **Add** to associate the employee assignment to the main scheme.

Lunar Payroll

LGPS supports also the Lunar Payroll frequency.

For this calculation:

- The Calculated Annualized Pensionable Pay is based on periodic Lunar Months pensionable pay (default option of 13 lunar pay periods)

- The Calculated Assumed Pensionable Pay is based on 3 lunar pay periods (12 weeks average).

Multiple Assignments

Where an employee has multiple assignments, the scheme to assignment relationship determines how the assignments are assessed to derive the employee contribution tier.

Each assignment must have a one-to-one association with a pension scheme component and a unique Pension Payroll ID associated with it.

Assignments that are associated with one pension main scheme contribution type need to be treated separately. This can be achieved by creating multiple instances of the same component and associating different assignments to them.

10 Additional Pension Contributions

Overview of Additional Pensions

Additional pension contributions allow members of pension schemes to pay extra contributions to build up additional benefits; this can be by a percentage of salary contribution, a flat amount, or a lump sum.

The type of contribution is by an agreement between the employer and the employee, subject to their regulations. These are the additional voluntary contributions supported in the application with the associated rules:

- Added Years
- Additional Pension Contributions (APC)
- Additional Regular Contributions (ARC)
- Additional Survivor Benefits Contributions (ASBC)
- Additional Voluntary Contributions (AVC)
- Preston Part-time Buy-Back Contributions
- Stakeholder Pension

Calculation Rules

Here's how the additional contribution types are calculated:

- If calculation unit is flat amount, the amount entered is deducted, taking into account the time basis selected.
- If calculation unit is percentage deduction and additional pension isn't Added Years or Additional Survivor Benefits Contributions, the amount deducted is the percentage entered of the pension scheme member's eligible compensation.
- If calculation unit is percentage deduction calculation unit and the additional pension is Added Years or Additional Survivor Benefits Contributions, the amount deducted is the percentage entered of the pension scheme member's final pensionable pay.

All additional pension contributions set up for LGPS is limited to the maximum contribution limit entered on element setup.

For more information on additional pension contributions during periods of absence, see *Overview of Absences and Assumed Pensionable Pay*

Element Setup

Create your additional contribution types for LGPS using the secondary Additional Pension Contributions Pre-Statutory element classification to conform to the rules and regulations applicable to each of them.

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It is recommended that you create elements for these scenarios (assuming the contribution type is used in your organization):

Additional Pension Contributions: Suggested Element Combinations

Additional Contribution Type	Scenario
Added Years	Recurring percentage (of Final Pensionable Pay)
Additional Pension Contributions (APC)	Recurring to allow for periodic or lump sum payments (lump sum payments will need to be end-dated at the end of the period the lump sum was taken)
	With or without employer contributions (with employer contributions to cover shared costs)
Additional Regular Contributions (ARC)	Recurring flat amount
Additional Survivor Benefits Contributions (ASBC)	Recurring percentage (of Final Pensionable Pay)
Additional Voluntary Contributions (AVC)	Recurring flat amount or percentage of pensionable earnings
	With or without employer contributions (with employer contributions to cover shared costs)
Preston Part-time Buy-Back Contributions	Recurring flat amount

Note: As shown above, the additional pension contributions are a flat amount or a percentage of pensionable pay, so don't use rates as the main LGPS pension scheme does. There may be cases where you need to create multiple elements for one contribution type, for example:

- If an additional contribution deduction can be payable as a flat amount or a percentage, then create one element for each deduction rule.

- If the employer can share the costs of an additional contribution type (but doesn't always), then create one element that includes employer contributions and another that doesn't. This can apply to shared cost APCs (SAPCs) and shared costs AVCs (SAVCs).

- If the employee pays by a lump sum that is outside the payroll process, it is an agreement between the employee and pension scheme administrator and there are no reporting requirements.

Create Elements

To create elements follow these steps:

1. Using the Elements task, click Create to create a new element.
2. In the Create Element window, complete the fields as shown here:
    - **Primary Classification:** Pre-Statutory Deductions

- o **Secondary Classification:** Additional Pension Contributions Pre-Statutory
- o **Category:** Benefit

3. If the contribution deduction can be a one-off lump sum or regular flat amount (or both), specify that it is a fixed amount deduction.
4. Pension elements are recurring. In case of a one-off lump sum payment, you need to end date the element entry at the end of the period in which the payment was taken.
5. Additional questions are available on the questionnaire to identify the type of additional pension contribution you are creating.
6. Select Local Government Pension Scheme from the list of parent pension schemes.
7. 7. Select the type of additional contribution:
   - o Added Years
   - o Additional Voluntary Contributions
   - o Additional Pension Contributions
   - o Additional Regular Contributions
   - o Additional Survivor Benefit Contributions
   - o Preston Part-Time Buy-Back Contributions
   - o Not Applicable
8. Enter the pension provider.

After you submit the questionnaire, various objects are generated.

Additional Pension Contribution Types: Summary of Objects Created

Object Type	Name
Element	<Base Name>
	<Base Name> Calculator
	<Base Name> Distributor
	<Base Name> Employee Contributions
	<Base Name> Employer Contributions
Additional Input Values	Parent Pension Scheme (Employee Contributions element)
	LGPS Additional Pension Type (Employee Contributions element)
	Final Pensionable Pay (Employee Contributions element and if contribution type is Added Years or ASBC)
	Contribution Amount
	Contribution Percentage
	Payee
	Reference Number
Rate Table Override	LGPS Employee Pension Rates
Additional Balances	Additional Pension Contributions LGPS

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Object Type	Name
	Additional Voluntary Contributions LGPS
	Additional Regular Contributions LGPS
	Added Years Contributions LGPS
	Part Time Buy Back Contributions LGPS
	Additional Survivor Benefit Contributions LGPS
	Final Pensionable Pay LGPS Added Years

Create Element Eligibility

You must define eligibility for the additional contribution type element. This enables you to add it to an employee's Benefits and Pensions card.

> **Note:** It isn't necessary to define eligibility for the Employee Contribution (and Employer Contribution, if applicable) elements, as these are indirect elements.

Additional Balance Feeds for Pension Contributions

A number of balances are generated automatically by the element template. Some of those balances are fed by classifications or secondary classifications; others need to be fed manually:

User-Defined Balance Feeds

Balance	Usage	Suggested Feed
Final Pensionable Pay LGPS Added Years	Contribution basis for Added Years additional pension type.	All earnings that are pensionable subject to final salary scheme rules.
Final Pensionable Pay LGPS ASBS	Contribution basis for ASBS additional pension type.	All earnings that are pensionable subject to final salary scheme rules.

The above feeds may be the same as those created for the Final Pensionable Pay balance.

Personal or Stakeholder Pension Contributions

Create Personal/Stakeholder Pension (outside of LGPS) using the voluntary deductions template, secondary classification Addition Pension Contributions After Tax.

To create the element and element eligibility follow the same steps as above.

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Additional Pension Contributions: Suggested Element Combinations

Additional Contribution Type	Scenario
Stakeholder Pension	Recurring to allow for periodic or lump sum payments (lump sum payments will need to be end-dated at the end of the period the lump sum was taken)
	With or without employer contributions

Record Additional Pension Contributions

Use the Calculation Cards task to record an employee's additional pension contributions:

1. Open the employee's Benefits and Pensions card.
2. Create the additional contribution type that you created an element for previously.

Note: There is no validation between the parent scheme and the additional contribution types selected on the card. It is a user responsibility to configure valid combinations of additional contribution elements and the main pension scheme with which they are associated.

Contribution Type Information: Additional Pension Contributions

Field	Description
Partial Deduction Allowed	Specify whether partial deduction is allowed or not for this employee.
Payee	List of third-party payees created as pension providers.
Additional Pension Employee Contribution	Enter a percent or flat amount as determined by the element template setup.
Additional Pension Employer Contribution	Enter a percent or flat amount as determined by the template setup.
Reference Number	Allows you to record a reference number that may be provided by the third-party pension provider. Note: This is different to the Pension Payroll ID

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11 Main Pension Scheme 50/50 Section

Overview of Temporary Enrolment to the 50/50 Section

An employee's request to enrol temporarily in the 50/50 section of the main scheme is administered using their Benefits and Pensions card.

It is a user responsibility to:

- Determine an employee's eligibility to join the 50/50 section.

- Specify the date on which they join and leave the 50/50 section.

- Stop any additional pension scheme contributions that aren't payable under the 50/50 rules.

You can action an employee's movement into or out of the 50/50 section in the first available payroll run following their notification. As of the first day of the pay period following notification, the employee's main scheme contribution rate is halved. The employer rate remains unchanged between both sections of the main scheme.

The contributions for an employee on reduced pay is made using their actual pensionable pay (if any) and not on assumed pensionable pay. Once in the 50/50 section, an employee's pensionable earnings (plus assumed pensionable pay) are accrued into balance Pensionable Pay CPP2.

Once an employee has notified their employer of their intention to return to the main scheme, the usual contribution rates resume on the first day of the payroll period following the notification. You can also resume the existing additional pension scheme contributions that ceased temporarily, unless the member elects to terminate the contract for a particular contribution type.

Enrol Employees to the 50/50 Section

Use the Calculation Cards task to move an employee into and out of the 50/50 section of the main scheme.

Perfom the following steps:

1. Open the employee's Benefits and Pensions card and select the Effective As-of Date to the earliest date on which the 50/50 transfer can happen, that is, no earlier than one day after the employee has communicated their election.
2. Select the main scheme contribution type and click Edit.
3. Select the Member of 50/50 section check box.
4. Select Delete and End Date to enter the date on which any additional pension type contributions that aren't payable under the 50/50 section should cease. This date should be the day before the 50/50 section enrolment can begin.

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Return Employee to Main Scheme from the 50/50 Section

Employee can transfer back to the main pension scheme from the 50/50 section.

When the employee returns to the main scheme, set the effective date of the main pension scheme contribution to the date on which they will transfer back into the main section and their usual contributions should resume and unselect the 50/50 check box.

If the employee had any additional pension contributions that ceased temporarily (and that they wish to resume them), you will need to restart them by setting the effective start date of each additional contribution type.

Alternatively you can also use the HCM Data Loader script that anaylises which employees are in the 50/50 section at the time of run date.

Related Topics

Load Benefits and Pension Card to Return Employees to Main Scheme from the 50/50 Section

This script anaylises which employees are in the 50/50 section at the time of run date.

It creates information with all detected employees and the change for field Member of 50/50 section with value 'No'. This information can be used to create a HCM Data Loader file for uploading and updating the Benefits and Pension calculation card.

You can use this following SQL query as it is or modify it for your own usage:

```
select 'METADATA|ComponentDetail|LegislativeDataGroupName|DirCardDefinitionName|EffectiveStartDate|
DirCardCompDefName|AssignmentNumber|CardSequence|ComponentSequence|DirInformationCategory|FLEX:Deduction
 Developer DF|MemberOf5050Section(Deduction Developer DF=ORA_HRX_GB_LGPS_DETAILS)' hdldata
from dual
union
select 'MERGE|ComponentDetail|'|||ldg.name||'|Benefits and Pensions|'|||to_char(:rundate,'YYYY/MM/DD')||'|'|'||
ccdf.component_name||'|'|'||prg.assignment_number||'|'|'||c.card_sequence||'|'|'||cc.component_sequence||'|'|
ORA_HRX_GB_LGPS_DETAILS|ORA_HRX_GB_LGPS_DETAILS|'||'N' hdldata
 from pay_dir_comp_details_f cd
 , pay_dir_card_components_f cc
 , pay_dir_card_comp_defs_vl ccdf
 , pay_dir_cards_f c
 , pay_dir_rep_cards_f rc
 , pay_dir_rep_card_usages_f rcu
 , pay_pay_relationships_dn ppr
 , per_legislative_data_groups_vl ldg
 , pay_rel_groups_dn prg
 , pay_assigned_payrolls_dn pap
 , pay_all_payrolls_f papf
 , hr_org_details_by_class_v oc
 , hr_all_organization_units_vl ho
 where cd.dir_information_category = 'ORA_HRX_GB_LGPS_DETAILS'
```

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```
    and cd.dir_information_char1 = 'Y'
    and cd.dir_card_comp_id = cc.dir_card_comp_id
    and cc.dir_card_comp_def_id = ccdf.dir_card_comp_def_id
    and ccdf.dir_card_definition_id = c.dir_card_definition_id
    and :rundate between ccdf.effective_start_date and ccdf.effective_end_date
    and cc.dir_card_id = c.dir_card_id
    and c.dir_card_definition_id = (select dir_card_definition_id from pay_dir_card_definitions_vl where
    base_display_name = 'Benefit and Pension Card')
    and c.payroll_relationship_id = ppr.payroll_relationship_id
    and :rundate between cd.effective_start_date and cd.effective_end_date
    and :rundate between cc.effective_start_date and cc.effective_end_date
    and :rundate between c.effective_start_date and c.effective_end_date
    and rc.dir_card_id = c.dir_card_id
    and :rundate between rc.effective_start_date and rc.effective_end_date
    and :rundate between rcu.effective_start_date and rcu.effective_end_date
    and rcu.dir_rep_card_id = rc.dir_rep_card_id
    and rcu.dir_card_comp_id = cc.dir_card_comp_id
    and ppr.legislative_data_group_id = ldg.legislative_data_group_id
    and ldg.name = :ldg_name
    and prg.relationship_group_id = rcu.relationship_group_id
    and :rundate between prg.start_date and prg.end_date
    and prg.parent_rel_group_id = pap.payroll_term_id
    and papf.payroll_id = pap.payroll_id
    and papf.payroll_name = :payroll_name
    and :rundate between papf.effective_start_date and papf.effective_end_date
    and prg.legal_employer_id = ho.organization_id
    and :rundate between ho.effective_start_date and ho.effective_end_date
    and ho.organization_id = oc.organization_id
    and :rundate between oc.effective_start_date and oc.effective_end_date
    and oc.classification_code = 'HCM_LEMP'
    and oc.legislation_code = 'GB'
    and oc.org_information_context = 'PER_LEMP_EMPLOYMENT_INFO'
    and ho.name = :legal_employer
order by 1 desc
```

View Data

1. Navigate to **Tools > Report and Analytics**.
2. Click **Browse Catalog**.
3. Navigate to **Shared Folders -> Human Capital Management -> Payroll -> Regulatory and Tax Reporting -> UK -> Data Models**.
4. To create a Data Model, click **New** and then **Data Model**.
5. On Diagram tab, click **(+)** and then **SQL Query**.
6. Enter a name for this query, the data source and the type of SQL.
7. Paste the SQL statements and click **OK**.
8. The script provides four parameters. Select all the parameters and click **OK**.
9. Change the first row (rundate) **Data Type** to 'Date' and enter a **Display Label** for this field.
10. Enter a **Display Label** also for the other rows (legal_employer, ldg_name, payroll_name).
11. On Data tab, click **View Data** (upper right corner) and you will get this information.
12. Enter a date for **Run Date**, the name of the Legal Employer, Legislative Data Group and Payroll.

    > **Note:** The date will also be used as the Effective Start Darte when uploading the HCM Data Loader file for updating the Beneits and Pension calculation card, LGPS component details.

13. Click **View**.

For this example, the query will figure out the employees who are in the 50/50 section at the time of run date. It also creates the statements which can be used in a HCM Data Loader file, to update the LGPS information (Member of 50/50 Section = No).

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12 Absences and Assumed Pensionable Pay

Overview of Absences and Assumed Pensionable Pay

If an employee is on certain types of absence, their main scheme pension benefits are protected to ensure that they aren't disadvantaged by a reduction in pay during the absence.

In these cases, assumed pensionable pay (APP) is used as the basis to calculate the pension benefits of the eligible employee. Assumed pensionable pay usually replicates the pensionable pay received by an employee before they start the absence.

The assumed pensionable pay calculation is triggered if an employee goes on a child-related absence or if sickness absence pay is reduced. Their APP is calculated using the average pensionable pay of 3 complete pay periods prior to the period of absence (or in the case of assumed pay, the point at which their pay is reduced). For example, if an assumed pay absence starts on April 14, their average pensionable pay is calculated from the pensionable pay from the January, February, and March periods. It is then converted to an annual rate and applied to the relevant period as a proportion of that rate.

Additional Considerations

- If, due to a lack of service, there are insufficient pay periods (less than 3 months or 12 weeks) prior to the absence, the available number of complete periods are used in the APP calculation.

- If there is any APP in the 3 month or 12 week period, it is taken into account. For example, if the employee was on APP due to sick leave in the month before the absence starts, the APP from the previous period is used in the APP calculation for the new absence.

- If there are other approved absences in the 3 months or 12 weeks period (that may not be APP absences), any reduction in pay associated with those absences (e.g. unpaid parental leave) is ignored and the period is treated as a full period for APP calculation purposes.

- Once calculated for a particular period of leave the APP won't be updated, even if the rate of pay changes during the absence.

- APP does NOT apply during any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave available at the end of relevant child related leave; this is to be treated as unpaid leave of absence.

- In periods where there are days with normal eligible compensation and days with reduced or zero compensation due to an absence (for example sickness where a part of this period is paid with 100% and another part is paid with 50%), the employer contributions are calculated on prorated values of Permanent Pensionable Pay and prorated Assumed Pensionable Pay.

The result of the calculation is returned to the input value Assumed Pensionable Pay on element <Base Name> Employer Contributions. (Employee contributions paid through payroll are based on actual pensionable pay and don't use assumed pay.)

Related Topics
- Prorate Assumed Pensionable Pay

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Three Months Average Earnings for Assumed Pensionable Pay

To ensure the average earnings is calculated correctly, even if there are no previous earnings, make sure you have created the following:

1. Create the rate definition as below:

Field	Description
Category	Derived Rate
Employment Level	Payroll Assignment
Reporting Required	No
Calculate Live Rates	Yes
Periodicity	Null
Periodicity Conversion Formula	Standard Rate Annualized

2. Select the Rate Contributor tab and enter these details:

Field	Description
Reference Date	This Month End Date
Balance Name	<BaseName> Assumed Pensionable Pay
Balance Dimension	Set Assignment Last 3 Months if Calendar Monthly Payroll; Set Assignment NoCB Period to Date if Lunar Payroll
Periodicity	Set it to Null

3. In the **Create Calculation Value Definition** window, complete the fields as shown here:

Field	Description
Calculation Type	Rate Definition
Use existing value definition group	Check, if you will use the already defined LGPS Pension rates
Value Definition Group	Select the Public Sector Pension rates

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Field	Description
Calculation Value Definition Details section	
Retrieval Date	Effective Date
Calculation Values	Define the Range Items and select the Rate Definition created before.

4. In the **Element** window, select the user created Element of <BaseName> Calculator Element and go to calculation factor to add a new factor as below:

Field	Description
Calculation Step	LGPS Average Three Months Earnings
Calculation Value Definition	Select the Value Definition of the Derived Rate created before.

Absence Type Setup

You must associate absence types that have an assumed pay implication with one of these predefined legislative grouping codes in order to the trigger assumed pay calculation:

- UK Sickness
- UK Maternity
- UK Adoption
- UK Paternity Adoption
- UK Paternity Birth
- UK Shared Parental Leave Adoption
- UK Shared Parental Leave Birth

For detailed information on configuring your UK statutory absence types and plans, see the Administering Absences for the United Kingdom guide.

Main Scheme Contributions and Absences

This table shows the main scheme contribution basis for employees on assumed pay absence types:

Absence Type	Absence payment rate	Employee Contribution Basis	Employer Contribution Basis
Sickness	Paid at full pay	Actual pensionable pay	Actual pensionable pay

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Absence Type	Absence payment rate	Employee Contribution Basis	Employer Contribution Basis
	Paid at SSP rate	Actual pensionable pay	Assumed Pay
	Paid at 50%	Actual pensionable pay	Assumed Pay
	Unpaid	No contribution	Assumed Pay
Maternity	Paid at full pay	Actual pensionable pay	Assumed Pay
	Paid at SMP rate	Actual pensionable pay	Assumed Pay
	Unpaid	No contribution	No contribution *
Adoption	Paid at full pay	Paid at full pay	Assumed Pay
	Paid at SMP rate	Paid at SMP rate	Assumed Pay
	Unpaid	Unpaid	No contribution *
Shared Parental Leave	Paid at full pay	Paid at full pay	Assumed Pay
	Paid at SMP rate	Paid at SMP rate	Assumed Pay
	Unpaid	Unpaid	No contribution *
Paternity	Paid at SPP	Actual pensionable pay	Assumed Pay

*APP does NOT apply during any period of unpaid additional maternity, paternity or adoption leave or unpaid shared parental leave available at the end of relevant child related leave.

> **Note:** If employee drops to reduced pay mid period, employer contributions will be based on part period normal pay and part period assumed pensionable pay. A proroated amount of permanent pensionable pay balance will be used to derive the pensionable pay in the part period of normal pay.The system calculates entitlement according to the rules specified in your statutory and occupational plans. The payment percentage on the absence record is interpreted to determine the calculation basis that is used.

Additional Contribution and Absences

Additional pension contributions continue to be calculated when an employee is absent, unless the member elects to end the contract.

Use the arrears functionality and the regulation for a specific additional contribution type to determine how a contribution is handled when reduced or zero absence prevents a full contribution from being made. (or arrangements are made directly with the employer to address the handling of any arrears).

Employer deductions continue to be calculated during paid and reduced pay absences.

Percentage-Based Contributions

The table shows the calculation required for statutory absence types when the additional contribution type is percentage based.

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Percentage-Based Additional Contributions and Absences

Absence Type	Absence Payment Rate	AVC EE Contribution Basis	AVC ER Contribution Basis	Added Years Contribution Basis	ASBC Contribution Basis
Sickness		Actual pensionable pay	Actual pensionable pay	Final pensionable pay	Final pensionable pay
	Paid at reduced pay	Actual pensionable pay	Actual pensionable pay	Final pensionable pay	Final pensionable pay
	Unpaid	No contribution	No contribution	No contribution	No contribution
Child Related Leave	Paid at full pay	Actual pensionable pay	Actual pensionable pay	Final pensionable pay	Final pensionable pay
	Paid at reduced pay	Actual pensionable pay	Actual pensionable pay	Final pensionable pay	Final pensionable pay
	Unpaid	No contribution	No contribution	Final pensionable pay	Final pensionable pay
Jury Service	Paid at reduced pay	Actual pensionable pay	Actual pensionable pay	Final pensionable pay	Final pensionable pay
	Unpaid	No contribution*	No contribution	Final pensionable pay	Final pensionable pay
Trade Dispute	Unpaid	No contribution*	No contribution	Final pensionable pay	Final pensionable pay
Other Authorised Leave of Absence	Unpaid	No contribution*	No contribution	Final pensionable pay	Final pensionable pay
Unpaid Unauthorised Leave of Absence	Unpaid	No contribution*	No contribution	Final pensionable pay	Final pensionable pay

Flat Amount Deductions

The table shows the calculation required for statutory absence types when the contribution is a flat amounts.

Flat Amount Contributions and Absences

Absence Type	Absence Pay Rate	APC EE Contribution Flat Amount	APC ER Contribution Flat Amount	AVC EE Contribution Flat Amount	AVC ER Contribution Flat Amount
Sickness	Paid at full pay	Full contribution	Full contribution	Full contribution	Full contribution
	Paid at reduced pay	Full contribution	Full contribution	Full contribution	Full contribution
	Unpaid	Deemed contribution**	Full contribution	No contribution	No contribution
Child Related Leave	Paid at full pay	Full contribution	Full contribution	Full contribution	Full contribution
	Paid at reduced pay	Full contribution	Full contribution	Full contribution	Full contribution
	Unpaid	Full contribution	Full contribution	No contribution	No contribution
Jury Service	Paid at reduced pay	Full contribution	Full contribution	Full contribution	Full contribution
	Unpaid	Full contribution	Full contribution	No contribution	No contribution

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Absence Type	Absence Pay Rate	APC EE Contribution Flat Amount	APC ER Contribution Flat Amount	AVC EE Contribution Flat Amount	AVC ER Contribution Flat Amount
Trade Dispute	Unpaid	Full contribution***	Full contribution	No contribution	No contribution
Other Authorised Leave of Absence	Unpaid	Full contribution***	Full contribution	No contribution	No contribution
Unpaid Unauthorised Leave of Absence	Unpaid	Full contribution***	Full contribution	No contribution	No contribution

Absence Type	Absence Pay Rate	Preston Part-time Buy	ARC Contributions Flat Amount
Sickness	Paid at full pay	Full contribution	Full contribution
	Paid at reduced pay	Full contribution	Full contribution
	Unpaid	Full contribution***	No contribution
Child Related Leave	Paid at full pay	Full contribution	Full contribution
	Paid at reduced pay	Full contribution	Full contribution
	Unpaid	Full contribution***	Full contribution***
Jury Service	Paid at reduced pay	Full contribution	Full contribution
	Unpaid	Full contribution***	Full contribution***
Trade Dispute	Unpaid	Full contribution***	Full contribution***
Other Authorised Leave of Absence	Unpaid	Full contribution***	Full contribution***
Unpaid Unauthorised Leave of Absence	Unpaid	Full contribution***	Full contribution***

* No contribution: Pension members have the choice of buying back lost service due to unpaid leave

** Deemed contribution: The contribution isn't actually deducted, the pension authority will deem it has been to preserve continuous pension service

*** Full contribution: If earnings are high enough to deduct the full contribution then the full contribution should be raised. If earnings aren't high enough arrears should be created based on the user setup of arrears via the arrears functionality, partial deductions allowed and arrears balances.

Prorate Assumed Pensionable Pay

When determining the proportion of the annual APP rate to be added to the CPP, the same method used for determining payments for part periods for other reasons should be maintained.

Therefore, if it is necessary to calculate one day's APP, use whatever method is normally used to calculate one day's pay from an annual earnings. It is important that the method reflects the methodology used to calculate the annualised APP figure. The examples that follow show how to calculate APP, based on different methodologies:

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Paid monthly, part month payment based on days in month:

- APP annual earnings = 3 months' pay × 12 ÷ 3

- APP monthly earnings = APP annual earnings ÷ 12

- APP daily earnings = APP annual earnings ÷ 12 ÷ number of days in the month

Paid monthly, part month payment based on working days in month:

- The workschedule is used to derive the number of working days.

- APP annual earnings = 3 months' pay × 12 ÷ 3

- APP monthly earnings = APP annual earnings ÷ 12

- APP daily earnings = APP annual earnings ÷ 12 ÷ number of working days in the month

In order to give you the choice of the method, a new component details "LGPS Information" under the component Pensions Automatic Enrolment Additional Scheme Information, has been added.

To select the method:

- Search for the tasks Legal Entity Calculation Cards (to set PSU level values) or Legal reporting Unit Calculation Cards (to set TRU level values)

- Select Public Sector Payroll Information card, component LGPS Information

- On component details LGPS Calculation Information, choose the APP Proration Unit: Daily or Workday.

Absence Rate for Reducing Pensionable Pay to Exclude Non-Pensionable Allowances

An absence rate that includes non-pensionable allowances, e.g. subsistence, requires a second absence rate definition to ensure that the pensionable earnings are reduced correctly in cases where an employee is receiving reduced absence pay.

This additional rate ensures that their pensionable pay is reduced using the pensionable elements of their absence payment only. Use these steps to create an additional absence rate that excludes non-pensionable allowance rate definitions as contributors.

Prerequisites

- Element and rate definition for (pensionable) salary element

- Element and rate definition for pensionable elements

- Element and rate definition for non-pensionable elements

- Element and rate definition for absence payment/deduction

- Absence element processing priority must be later than that of the salary and allowance elements

- Rate definition category: Derived rate

- Contributors: rate definitions for salary, non-pensionable and pensionable elements

Reduced Pensionable Pay Rate Setup

1. Create a rate definition for the reduced pensionable pay rate:
   - Category: derived rate
   - Periodicity: Annual
   - Live rates: selected, by default
   - Contributors: salary and pensionable allowance rate definitions

2. Create calculation value definition:
   - Calculation type: rate definition
   - Retrieval date: date earned
   - Calculation values: rate definition created in Step 1

3. Add a calculation factor to the Entitlement Result absence element.
   - Calculation type: rate amount
   - Calculation value definition: select the definition created in Step 2.

4. Edit the Entitlement Result element formula to fetch the pensionable pay value, convert it to a daily value and return the daily reducing pensionable pay. See the reduced_pensionable_pay_entitlement_result_ff.txt file associated with this document.

5. Edit the Entitlement Result element and create a new input value to return a direct result of daily reduction of pensionable pay:
   - Alternatively, create a separate element for returning the daily reduced pensionable pay as an indirect result.

6. Add a new formula result rule on the Entitlement Result element for returning the reduced pensionable pay value:
   - Result returned: L_REDUCE_PP
   - Result rule: direct result (using the Entitlement Result element)
   - Target input value: new input value (e.g. Reduced Pensionable Pay)

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13 Assumed Pay Examples

Example of Reduced Pay Sickness

This section includes examples of when and how assumed pay is used to calculate main scheme contributions for an employee on an assumed pay absence.

Robert goes on sick leave and his pay is reduced from 01-August to 15-November.

This is his pay for the 3 full pay periods preceding his reduced pay period:

Pay	May	June	July
Salary	£2,500	£2,600	£2,600
Bonus	£250	£260	£260
Overtime	£775	£450	£399
Expenses (not pensionable)	£210	£174	£305
Total Pensionable Earnings for Period*	£3,525	£3,310	£3,259

* Total Pensionable Earnings exclude the non-pensionable expenses.

Pensionable pay comprises the total pensionable earnings for 3 full periods prior to the reduced pay so: £3,525 + £3,310 + £3,259 = £10,094

Annual assumed pensionable pay (APP) is £10,094 / 3 x 12 = £40,376

Annual APP is applied to the entire reduced pay absence. Jonas is on reduced pay absence from 01/08/2017 – 15/11/2017

Monthly APP is £40,376 / 12 = £3364.67

In November, the employer contributions are calculated based on:

15 days prorated APP £3364.67/30*15 = £1682.34 plus 15 days prorated Permanent Pensionable Pay for this month (£2,600 + £260)/30*15= £1430.00, in total £3112.34.

Sick Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
Paid at reduced pay	1 – 31 August	Actual pensionable pay £2860/2 = £1430 Half Pay	£3364.67
Paid at reduced pay	1 – 30 September	Actual pensionable pay £2860/2 = £1430 Half Pay	£3364.67
Paid at reduced pay	1 – 31 October	Actual pensionable pay	£3364.67

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Sick Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
		£2860/2 = £1430 Half Pay	
Paid at reduced pay Paid at full pay	1 – 15 November 16 – 30 November	Actual pensionable pay £2860/2 = £1430 Half Pay / 30 *15 = £717 Plus Actual pensionable pay £2860 / 30 *15 = £1430 In total £2147	15 days prorated APP £3364.67/30*15 = £1682.34 Plus 15 days prorated Permanent Pensionable Pay for this month (£2,600 + £260)/30*15= £1430.00 In total £3112.34

Example of Maternity Leave

Cath goes on maternity leave. Her entitlement is 16 weeks full pay, 24 weeks half pay.

Absence Payment Rate	Maternity Leave Dates
Full Pay	01/04/2018 – 21/07/2018
Ordinary maternity leave (reduced pay)	22/07/2018 – 5/01/2019
Additional maternity leave (reduced pay)	06/01/2019 – 31/01/2019
Additional maternity leave (unpaid)	01/02/2019 – 31/03/2019

Pensionable pay comprises the total pensionable earnings for 3 full periods prior to the reduced pay period are used, which in Cath's case is a total of £5,970

Annual APP = £5,970 / 3 * 12 = £23,880

Annual APP is applied to whole absence from first day of absence.

Monthly APP is £23,880 / 12 = £1,990.00

Maternity Contributions

Maternity Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
OMP Paid at full pay	1 April – 30 April	Actual pensionable pay £1975.00	Assumed Pay (fixed for whole absence, see above)

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Maternity Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
			£1990
OMP Paid at full pay	1 May – 31 May	Actual pensionable pay £1975.00	Assumed Pay £1990
OMP Paid at full pay	1 June – 30 June	Actual pensionable pay £1975.00	Assumed Pay £1990
OMP Paid at full pay	1 July – 21 July	Actual pensionable pay £1975.00/31*21 = £1337.90	Assumed Pay £1990 for the whole of July
OMP Paid at 50%	22 July – 31 July	Actual pensionable pay £1975/2 = £987.50 Half Pay £987.50/31*10 = £318.55	See above
OMP Paid at 50%	1 Aug – 31 Aug 1 Sep – 30 Sep 1 Oct – 31 Oct 1 Dec – 31 Dec 1 Jan – 31 Jan	Actual pensionable pay £1975/2 = £987.50 Half Pay Each month	Assumed Pay £1990 each month
OMP Unpaid (0%)	1 Feb – 31 Mar	Zero Pay – No contribution	No contribution *
Paid at SMP rate	April- 17 Oct	Actual pensionable pay (only if SMP continued to be paid when on 0% OMP)	Assumed Pay

*APP does NOT apply during any period of unpaid additional maternity leave.

Example of Reduced Pay Sickness based on Lunar Pay Periods (12 Weeks Average)

Brian goes on sick leave and his pay is reduced from 15-June to 03-September 2022.

This is his pensionable pay for the 3 full pay periods (12 weeks) preceding his reduced pay period:

Pay	09-March to 05-April	06-April to 03-May	04-May to 31-May
Salary	£3140	£3000	£3100

Pensionable pay comprises the total pensionable earnings for 3 full periods prior to the reduced pay so: £3140 + £3000 + £3100 = £9240

Annual assumed pensionable pay (APP) is £9240 / 12 x 52 = £40,040

Annual APP is applied to the entire reduced pay absence. Jonas is on reduced pay absence from 15/06/2022 – 03/09/2022

Monthly APP is £40,040 / 52 * 4 = £3080

In June (period 01-June to 28-June) and September (period 24-August to 20-September), the employer contributions are calculated based on prorated APP days and Prorated Permenent Pensionable Pay days.

Sick Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
Paid at fully pay Paid at reduced pay	1 – 14 June 15 - 28 June	Actual pensionable pay £2700 / 28 *14 = £1350 Plus £2700 / 2 = £1350 Half Pay £1350 / 28 *14 = £675 In total £2025	Permanent Pensionable Pay £2700 / 28 *14 = £1350 Plus Annualized Pensionable Pay 3080 / 28 *14 = £1540 In total £2890
Paid at reduced pay	29 June – 26 July	Actual pensionable pay £2500/2 = £1250 Half Pay	£3080
Paid at reduced pay	27 July – 23 August	Actual pensionable pay £2400/2 = £1200 Half Pay	£3080

Sick Absence Rate	Dates	Employee Contribution Base	Employer Contribution Base
Paid at reduced pay	24 Ausust – 03 September	Actual pensionable pay £2500/2 = £1250 Half Pay £1250 / 28 *11 = £491,08	11 days prorated APP £3080/28*11 = £1210 Plus 17 days prorated Permanent Pensionable Pay for this month £2500/ 28*17 = £1517,86 In total £2727,86
Paid at full pay	04 – 20 September	Plus Actual pensionable pay £2500 / 28 *17 = £1517,86 In total £2008,94	

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