

Pension Remuneration: Examples, questions and answers

In the majority of cases the person will have been a member with the same employer for at least a year. In these cases the final pay should be the pensionable pay (FTE if P/T) in the last year of employment.

Examples covering the most common situation, other situations which commonly occur and FAQ are covered below.

Example 1

Date of Termination 31/12/2009

Salary: £14,100 01/04/07-31/03/08

£15,500 01/04/08-31/12/09

01/01/08-31/03/08	£14100 x 90/365 =	£3476.71
01/04/08-31/12/09	£15500 x 275/365 =	£11678.08
	Total	£15154.79

Q. What if it's a leap year (like 2008)?

A. As you don't get an extra day's pay for 29th February, ignore it.

Q. What if the member has more than 3 months but less than a year?

A. Multiply pay up to 365 days.

Example 2

Period of employment 01/03/2008-31/12/08

Pay as example 1

01/03/08-31/03/08	£14100 x 31/365 =	£1197.53
01/04/08-31/12/08	£15500 x <u>275/365</u>	<u>£11678.08</u>
	Total <u>306</u>	<u>£12875.61</u>

$$£12875.61 \times 365/306 = \mathbf{£15358.16}$$

Q. What if the member changes jobs with the same employer in the final year?

A. If member elects to link, treat as 1 employment and calculate final pay as in example 1

Q. What if the member changes jobs with the same employer in the final year but doesn't link?

A. Only the pay in the 2nd job counts and should be multiplied up by 365, as in example 2.

Q. What if the member changes jobs with different employers in the final year and opts to link?

A. Only the pay with the final employer counts and should be multiplied up by 365, as in example 2. (Note: this is a change in the BMC Regulations 2007; in the 1997 Regulations pay from both employments counted.)

Q. What if it's a TUPE transfer and the member leaves the contractor within a year?

A. The last 365 days' pay from the contractor and the former employing authority counts as final pay.

Q. What if there's break in service in the final year because of leave of absence, maternity, etc, leave, or strike?

A. If the member has paid contributions to cover the break final pay is calculated on FTE pay over the last 365 days, as in example 1. If the member has not paid contributions for the whole period then the pay received is multiplied up by 365, as in example 2. This might actually produce a higher final pay figure than if they had paid contributions.

Q. What if the leave of absence is more than a year and the member does not return to work?

A. As the member has had no pay in the last 365 days the highest 1 of the 2 previous years would be used.

Q. What if the break in service is 3 years or more?

A. The BMC Regulations don't deal with this, but the 1997 Regulations required final pay to be based on the last 365 days counting as membership.

Q. What if the member takes flexible retirement, continues on reduced hours, then retires within a year?

A. Only the FTE pay in the continuing employment counts, so it must be multiplied up, as in example 2.

Q. What protection is there if the member has had their pay reduced?

A. See the section on average of three consecutive years in the last ten.

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