



Derbyshire  
Pension  
Fund

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[derbyshirepensionfund.org.uk](http://derbyshirepensionfund.org.uk)

# L1: Leaver notification Guidance notes

v2.3

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## 1: Introduction

### L1 leaver form

The L1 is the leaver notification form which employers must send to Derbyshire Pension Fund (the Fund) when an employee leaves the Local Government Pension Scheme (LGPS).

This is usually when someone's employment ends but can be for other reasons too.

The reasons for a member leaving the LGPS are:

- Opting out of the scheme
- Transferred to a non-eligible post (*e.g. Teaching Assistant becomes a Teacher*)
- End of temporary/fixed term contract
- Resignation
- Dismissal
- Redundancy
- Retirement
- Reaching age 75
- Ill health retirement
- Death in service

When employees leave the scheme, the Fund must provide them with information about their pension options, usually within one month of leaving, so it is important that you submit the L1 without delay.

Without a fully completed L1 form we cannot pay the pension benefits which your former employee may be relying on to replace their monthly pay.

### Who should complete the L1?

You will have provided us with a list of staff who are authorised to sign notification forms. The L1 must be signed and submitted by one of your authorised staff.

The form requires information about the reason for leaving and pay details, so may require input from more than one part of your organisation, however, the authorised person signing and submitting the form is responsible for all of the information provided.

### When to complete an L1

You should normally complete an L1 for your former employee immediately after their final pay has been confirmed.

However, in cases where your employee is retiring and is on regular and consistent pay which is guaranteed to remain unchanged to their retirement date, it is helpful if you submit the L1 up to 6 weeks before their employment ends. This will help us to calculate and put their pension benefits into payment as soon as possible upon their retirement.

Late submissions or missing forms will mean that we cannot update your employee's records and may result in employers being charged for the additional administration caused by the delayed L1 submission.

### Exceptions (where an L1 is not needed)

There will be instances where an employee stops paying into the scheme but an L1 is not required. These will be cases where the employee remains a scheme member but has temporarily stopped receiving pay.

The information which you submit on your year end return will reflect the fact that the employee has had a period without pay. Some examples are:

- **Sickness** - If an employee stops contributing to the pension scheme because of their long term absence due to sick leave, you will still be contributing employer's contributions (based on Assumed Pensionable Pay), therefore, an L1 should not be submitted until their employment with you has ended.
- **Maternity/Adoption/Paternity or Shared Parental Leave** - If an employee stops contributing to the pension scheme because they have run out of pay due to any of the above reasons, but will be returning to work after their leave, an L1 should not be submitted.
- **Other periods of unpaid leave** - Where an employee has periods without pay and stops contributions for that period of time for other reasons (e.g. career break, unauthorised leave, industrial action) but returns to work, an L1 should not be submitted.

## 2: How to complete and submit the L1

All employers must complete the latest version of the L1 which is available on the webpage [Forms for employers](#). Earlier versions of the form should not be used and will not be accepted.

The L1 is interactive and additional questions and information will pop up upon providing certain information. Therefore, you must complete the form electronically and in section order. Printing the form and completing it manually will not provide all of the information needed and will not be accepted.

Completed forms should be submitted securely to [dpf.employers@derbyshire.gov.uk](mailto:dpf.employers@derbyshire.gov.uk).

## 3: Guidance notes

### Employer Name and Reference

You must always complete your employer name and reference number, this is the number allocated to you by the Fund and the last three digits of the number on your CR1 template.

<b>Employer Name</b>	High Borough Academy	<b>Employer Ref</b>	0	0	7	9	2
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### Section 1. Leaver Personal Details

Please complete all sections.

**Post Ref:** If you do not allocate a unique employee number to each post and the employee held multiple positions, you must complete the post reference to identify the relevant position.

**1. Leaver Personal Details**

<b>Title</b>	Miss	<b>Forename(s)</b>	Anthea Norma	<b>Surname</b>	Other	
<b>National Insurance No.</b>	ZZ123456E			<b>Date of Birth</b>	26/07/1985	<i>dd/mm/yyyy</i>
<b>Employee No.</b>	A1234567			<b>Post Ref</b>	1	
<b>Home Address</b>	120 High Street, Local Town, Derbyshire					
<b>Postcode</b>	DE85 9XZ			<b>Tel No</b>	0987 1234567	

**Section 2. Leaving Details**

**2. Leaving Details**

<b>Date of Leaving / Opting Out / Death</b>	31/07/2017	<b>Age</b>	32	<b>Leaving within 2 Years?</b>	No
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**Date of Leaving/Opting Out/Death:** Please complete the date when the employee left the LGPS. Where a member with a casual or zero hours contract leaves employment, please use the date when the contract ends as the leaving date for the L1, rather than the last date they actually worked.

If a member opted out **within three months** of joining the LGPS, you must refund the contributions they paid via your payroll and enter the date of opting out as the date they had joined the scheme. This is so they are treated as not having been a member in this employment.

**Age:** This is populated automatically once you have entered the date of birth.

**Leaving within 2 years?** Please indicate using the “Yes/No” drop down list whether the employee contributed to the LGPS for less than two years or not.

A person must normally be an active member of the LGPS for two years before becoming entitled to benefits under the scheme. This is called the vesting period. Where someone has been a member for less than two years the Fund will contact them with information about their options, which may include the opportunity to take a refund of contributions.

If you answer “Yes” in this box, you must provide, in section 3, the National Insurance Contracted-Out Earnings in respect of any periods before 6 April 2016. This information is an essential part of the refund calculation.

**Working Hours:**

<b>Contracted hours at last day</b>	18.50	<b>Full Time Equivalent hours</b>	37.00
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*Enter "C" for casual or relief working*

Please enter the decimalised contracted hours and full time equivalent hours of the post which they have left the scheme as at the date of leaving. For example: 18.50 for 18 hrs 30 minutes.

If the employee was casual/relief at their date of leaving, please enter “C” in both boxes.

**Reason for Leaving:** You must select one of the options by adding a cross from the drop down box alongside the chosen reason.

- Opted Out**

Opted Out (please retain a copy of the Opt Out form)	X	If the member opted out within 3 months, have the contributions been refunded?	▼
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Select if the member decided to opt out of the LGPS. You must only accept opt out elections that have been made on the Derbyshire Pension Fund Opt Out form, which the member must have obtained themselves. You must not provide blank copies of the form to employees as that may be deemed as an inducement to opt out. A signed letter or email is not admissible as it is not a declaration of awareness about the benefits being given up.

You must retain a copy of the opt out form, as you may need to provide evidence of the opt out at any time. Please do not send a copy with the L1.

*Note: A member aged 55+ does not automatically become entitled to their pension benefits when opting out*

- Compulsory Transfer**

Compulsory Transfer (TUPE)	X	Name of New Employer
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Select if the member has left your employment as a result of TUPE. You must add the name of the new employer (and a contact if known) in the field alongside this option.

- End of contract**

End of Contract	X	Refunds of contributions should not be made by employers, with the exception of members who opted out within 3 months.
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Select if the member's contract has terminated or expired and they are not entitled to a redundancy payment. E.g. if they were employed for less than two years.

- Resignation/Redundancy Under 55**

Resignation / Redundancy Under 55	X
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Select if the member resigned or was entitled to a redundancy payment following the termination of their employment and was aged under 55 at their date of leaving

- Dismissal/III Health Capability**

Dismissal / III Health Capability	X
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Select if the member was dismissed, for reasons other than gross misconduct (see below). Also select, if they were dismissed on the grounds of III Health Capability but were not granted LGPS III Health Retirement.

**Gross Misconduct Dismissal**

<b>Gross Misconduct Dismissal</b>	<b>X</b>	<i>If you wish to recover financial loss under regulation 93 of LGPS regulations 2013, please ensure the dismissal form has been sent to Derbyshire Pension Fund. Recovery cannot take place if the form has not been received before benefit information has been sent to the member.</i>
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Select if the member was dismissed for gross misconduct due to criminal, negligent or fraudulent actions.

Employers may, under the LGPS Regulations, seek to recover financial loss as a direct result of their former employee’s actions, from their pension benefits.

Where an employer wishes to seek recovery of financial loss, the Fund’s Dismissal Form (C4) must be completed as soon as possible. The form is available on the page [Forms for employers](#).

Once pension benefits have been put into payment, monies cannot be recovered.

**Redundancy 55+/Efficiency**

<b>Redundancy 55+ / Efficiency Dismissal</b>	<b>X</b>	<i>Derbyshire Pension Fund is unable to release pension benefits until evidence of the employer’s decision and acceptance of any shortfall cost has been received.</i>
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Select if the member is aged 55+ and entitled to a redundancy payment. Compulsory or Voluntary Redundancy at age 55+ means that the member’s pension benefits related to that position become payable. This is mandatory and benefits cannot be deferred.

Also select if the member’s employment has been terminated to benefit service efficiency and they are being granted “early retirement”.

In all aged 55+ redundancy and efficiency cases, written confirmation of your decision must be submitted on headed paper, from a signatory authorised to release LGPS benefits. This should also confirm the contact details of the person who is responsible for payment of the shortfall/strain costs to the Fund.

**Flexible Retirement**

<b>Flexible Retirement</b>	<b>X</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 60%;"><b>Will the member remain in the LGPS?</b></td> <td style="width: 40%;"></td> </tr> </table> <i>Derbyshire Pension Fund is unable to release pension benefits until evidence of the employer’s decision and acceptance of any shortfall cost has been received.</i>	<b>Will the member remain in the LGPS?</b>	
<b>Will the member remain in the LGPS?</b>				

Select if the member is aged 55 or older and has decided, with their employer’s approval, to take Flexible Retirement.

Even though the employee is continuing to work fewer hours and/or on a lower grade, you must still submit an L1 to activate the payment of flexible retirement benefits.

Written confirmation of your decision, the change to the employee’s contract and their LGPS contribution rate should be submitted, on headed paper, from a signatory who is authorised to release LGPS benefits. Details of the person who is responsible for payment of the shortfall/strain costs to the Fund, should also be confirmed.

In respect of the continuing employment, you should also state whether the member wishes to remain a contributing member of the LGPS or not. Please note that you **must** continue to collect the appropriate pension contributions from the employee’s pay unless they opt out of the scheme.

• Retirement/Resignation 55+

Retirement / Resignation 55+	X
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Select where a member voluntarily resigns or retires at age 55+. The Fund will contact the member with their pension options.

If your employer discretions policy gives you the option to waive any actuarial reductions where the scheme member is retiring early, you must notify the Fund of your decision. If you agree to waive any reductions there will be a shortfall/strain cost payable to the Fund.

• Employee Reaching Age 75

Employee Reaching Age 75	X	Employees reaching age 75 can remain in employment, but LGPS benefits MUST be in payment no later than 75. Therefore, the Date of Leaving must be at least one day prior to the 75th birthday.
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Select when a member is approaching age 75. LGPS benefits should be in payment before age 75 and members remaining in employment are not allowed to continue to contribute past this point, so an L1 **must** be submitted and contributions cease to be taken from the member's pay.

To ensure that a member, who is remaining in your employment up to or past their 75<sup>th</sup> birthday, becomes a pensioner before age 75, you must ensure that you remove them from the LGPS at least 1 day before that birthday.

• Ill Health Retirement

Ill Health Retirement (attach medical certificate if not already supplied)	X	Medical Certificate Attached?	Yes				
		Type of Ill Health Pension Awarded (if known)	Tier 1		Tier 2	X	Tier 3

Select if the member has been granted Ill Health Retirement. The Fund cannot release pension benefits until you have submitted a fully completed Medical Certificate, including which tier of Ill Health benefits has been approved.

There are no direct shortfall/strain costs related to ill health retirements, however, they may have an impact on your employer contribution rate at the next scheme triennial review.

For Tier 1 and Tier 2 Ill Health Retirements, you must also complete the Annual Rate of Assumed Pensionable Pay field, which will appear in section 4a when this reason for leaving is selected. Please see the Glossary for information about how to work this out.

Annual rate of Assumed Pensionable Pay (APP) (for Death in Service, or Ill health Tier 1 & Tier 2 pensions only)	£21,750.00
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• Death in Service

Death in Service (attach copy of death certificate if available)	X	Next of Kin (if known)	Relationship to Deceased (if known)
		Address (if known)	

Select when a member has died while in employment. The Fund will need additional information about the next of kin to arrange payment of any death benefits. *Note: The person*

specified will not automatically become the beneficiary, but will be asked to provide further details.

For all death in service cases, you must complete the Annual Rate of Assumed Pensionable Pay field, which will appear in section 4a when this reason for leaving is selected. Please see the Glossary for information about how to work this out.

Annual rate of Assumed Pensionable Pay (APP) (for Death in Service, or Ill health Tier 1 & Tier 2 pensions only)	£21,750.00
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### Section 3. Contributions

If you are completing the L1 form during the period April to July you must complete details for the current and previous scheme years. Otherwise, providing that you have submitted your year end return and any related queries have been resolved, you only need to complete details for the current year.

The example below relates to a member leaving the scheme on 31 July 2017 who had been in the Main Section only and paid AVC's via monthly salary to Prudential. Employer Contributions are not completed because the member had not triggered Assumed Pensionable Pay (APP).

### 3. Contributions

*If you are completing this form after the 31st July, you only need to provide details of contributions for the current Scheme year, (unless you have not provided full details of the previous Scheme year in your Year End return).  
Employer contributions are only required if Assumed Pensionable Pay (APP) has been applied.*

Year Ending	Employee Contributions				Employer Contributions (only required if APP has been applied)		
	Employee % Rate	Employee Main Section Conts	Employee 50/50 Section Conts	ARC & APC Conts	Employer % Rate	Employer Conts	Employer APC Conts
31/07/2017	5.8	£386.52	n/a	n/a			
31/03/2017							

Tax Year Ending	AVC Contributions (including final payment)	Date of Final AVC Payment	Amount of Final AVC Payment
05/04/2018	£200.00	25/07/2017	£50.00
05/04/2017		← Not required if completing after 31st July.	
Provider (e.g. Prudential)		Prudential	

Tax Year Ending	National Insurance Contracted Out Earnings
05/04/2018	Not Applicable
05/04/2017	Not Applicable
05/04/2016	

**Employee Contributions:** For each scheme year (1 April to 31 March) that you are required to provide information, you must complete all sections which apply. The “Year Ending” field is completed automatically based on the date of leaving you entered.

If the member moved between the LGPS Main Section and 50/50 during the year, you must provide the contribution totals for each section.

If the member’s employee contribution rate changed during the year, please provide the sums paid in respect of each contribution rate and include the date the rate changed in section 5, “Notes”.

If the member paid any Additional Regular Contributions (ARC) or Additional Pension Contributions (APC), (including the employee's contribution paid to cover any "lost" pension), you must provide the total paid during the year.

**Employer Contributions:** Only required if Assumed Pensionable Pay (APP) was applied during the year due to your employee's absence due to sickness or child related leave. If APP was applied, please include the total sum of employer contributions paid. Please also provide the dates APP was applied and the annual APP rate on which the contributions were based in section 5, "Notes".

**AVC contributions:** Complete only if the employee paid Additional Voluntary Contributions (AVC) which you forwarded directly to the AVC provider (e.g. Prudential). We require details of the contributions paid during the tax year (6 April to 5 April) and the date of the final AVC payment.

This information is required so the member's pension savings can be assessed for tax purposes and also so the AVC fund can be disinvested at the correct time.

**National Insurance Contracted Out Earnings (NICOE):** National Insurance Contracted-Out Earnings were those between the Lower Earnings Limit and the Upper Accrual Point. This information is required if the employee's membership of the LGPS, in this employment, was less than two years. The member may be due a refund and the NICOE is used in the calculation.

Contracting out ended on 5 April 2016, so you will not be asked for this information in relation to the subsequent tax years.

#### Section 4. Pay Details

The example below relates to another member, who also left on 31<sup>st</sup> July 2017. This member had been in the Main Section until 30 June (and had received a pensionable allowance of £150 in that period), then moved to the 50/50 Section for the month of July.

#### 4. Pay Details

Please refer to the accompanying Notes for what qualifies as CARE Additional Pay and Final Salary Pensionable Allowances and where applicable, how to calculate Assumed Pensionable Pay (APP).

##### a - CARE Pay (2014 Definition)

If you are completing this form after the 31st July, you only need to provide details for the current Scheme year, (unless you have not provided full details of the previous Scheme year in your Year End return). If there has been any periods of 50/50 Section membership, please include the dates of this in 5. Notes, along with details of any Unpaid Absences\* and APP.

\*Periods of unpaid absence are those for which the member has not paid Additional Pension Contributions (APC) to buy back lost pension.

Year Ending	Main Section Basic Pay (inc APP if applied)	Main Section Additional Pay (allowances etc.)	50/50 Section Basic Pay (inc APP if applied)	50/50 Section Additional Pay (allowances etc)	Total	Any Unpaid Absences?	APP Applied?
31/07/2017	£5,086.50	£150.00	£1,695.50		<b>£6,932.00</b>	No	No
31/03/2017					<b>£0.00</b>		

If you are completing the L1 form during the period April to July you must complete details for the current and previous scheme years. Otherwise, providing that you have submitted your year end return and any related queries have been resolved, you only need to complete details for the current year.

##### a – CARE Pay (2014 Definition of Pensionable Pay):

CARE pay is pensionable pay under the definition applied from 1 April 2014. It is usually the member's actual pay and includes non-contractual overtime.

Please see the definitions of CARE pay in the Glossary section of these notes. (Also see the notes about Assumed Pensionable Pay – APP.)

Please show the basic and additional pensionable pay separately in the boxes provided.

**Main Section Basic Pay** is the total of pensionable pay in the scheme year from 1 April **to the date of leaving**. This is the standard contract pay. *Note: If you complete this form before the leaving date, (e.g. when a member on regular pay is retiring), you must show what the total pay will be up to and including the leaving date.*

If the employee's pay was enhanced by a **Living Wage** supplement, this must be included in the Basic Pay.

If the employee was on reduced or nil pay and Assumed Pensionable Pay (APP) applied, the Basic Pay must include the APP.

**Main Section Additional Pay** is the total of additional pensionable payments paid during the scheme year. Please see the Glossary for the 2014 definitions of pensionable pay (and exclusions).

**Basic 50/50 Section Pay** and **50/50 Section Additional Pay** - If the member was in the 50/50 section of the scheme, please show the pensionable pay for this membership.

If the member changed from the 50/50 section to the main section, or vice versa during the scheme year please supply the date (or dates) the change occurred in section 5, "Notes".

**Total** – This is automatically calculated.

**Any Unpaid Absences?** Please indicate using the drop down list, whether or not the member had any unpaid absences, for which either APP did not apply or the member had not elected to pay Additional Pension Contributions to buy back lost pension.

Please provide the dates of any periods of unpaid absence in in section 5, "Notes".

**APP Applied?** Please indicate Yes or No using the drop down options provided. If yes, please provide details of the period(s) for which APP was applied in in section 5, "Notes".

**Annual rate of Assumed Pensionable Pay (for Death in Service, or Ill health Tier 1 & Tier 2 pensions only):** Please provide the annual rate of Assumed Pensionable Pay at the date of ill health retirement, or date of death.

The figure forms the basis of the enhancement to pension benefits payable in these cases and is required where normal APP has been applied or not. Please see the Glossary for more information.

**b – Final Pay (2008 Definition of Pensionable Pay):**

The final salary information requested in this section is used to calculate pension benefits relating to pre 1 April 2014 scheme membership, whether that membership was in this employment or not. Therefore, this section should always be completed, unless you are certain that the employee has no LGPS membership, in this or **any** other employment, prior to 1 April 2014.

The **Final Pay** in the below example, is the average of the member's full time equivalent salary in their last 365 days of employment (1 August 2016 to 31 July 2017). The allowance paid during the period is pensionable under the under the LGPS 2008 definition of pensionable pay, so is included.

#### b - Final Pay (2008 Definition)

Please complete the *Best of 3 Calculator* now: The below values populate from the *Best of 3 Calculator*.

If the member has *Reductions in Pensionable Pay* protection, please complete the *Protected Pay* tab and annotate section 5.

Final Pay	Pensionable Allowances	Total	Start date of year used	End date of year used
£20,100.00	£150.00	<b>£20,250.00</b>	01/08/2016	31/07/2017
			<i>dd/mm/yyyy</i>	<i>dd/mm/yyyy</i>

  

Full Time Equivalent pay at last pay change (reduced for payment days/weeks)	Date of last pay change	Payment days/weeks (e.g. Term time working)
£20,346.00	01/04/2017	n/a
<i>dd/mm/yyyy</i>		

Please see the Glossary for the definitions and exclusions under the LGPS 2008 definition of pensionable pay, which applies to this section. Pay for non-contractual overtime, including additional hours for part time workers, isn't pensionable under this definition.

The final pay figure is usually the average of the member's full time equivalent pay for the final 365 days of employment, but can be either of the last three periods of 365 days, up to the leaving date, or for those with **Reductions in Pay Protection**, the final pay can be the average of the best three consecutive years pay from the last 13 years.

Always complete the **Best of 3 Calculator** (on the second tab of the L1), as it will work out which of last three years is the best year and insert these details into section 4b of the L1 form. Please input the pay changes into the calculator, referring to the **Best of 3 instructions** tab for further information.

If the member had less than 365 days in the post (and had not entered your employment through a TUPE), you should insert their earliest pay rate into the yellow box in the Best of 3 Calculator (followed by any subsequent pay changes). This is so the calculator can provide an average based on the assumption the member would have been on the same rate from the beginning of the final year period. You should also enter the total allowances the member would have received, had they worked for you for the entire year.

If the member entered your employment through a TUPE within the last 365 days of LGPS membership, you should attempt to obtain the relevant pay data from the previous employer or payroll provider. If you are unable to obtain the earlier pay data, please enter the data you have in section 5, "Notes", explaining the reason for the incomplete data. However, if you are confident that the member's pay (during the last three years of LGPS membership), prior to the TUPE was the same or less than in your employment, you may enter the earliest pay figure you have into the yellow box in the Best of 3 Calculator. This will allow the calculator to provide an average for the final year: If you do this, you will also need to enter the total allowances the member would have received for the entire period.

If the member has **Reduction in Pensionable Pay Protection**, you should complete the **Protected Pay** tab with the pay information for the last 13 years, referring to the **Protected Pay instructions** tab for further information.

**Pensionable Allowances** are any irregular or fluctuating extra payments paid in addition to salary or wages, which are specified in the employee's contract of employment as being pensionable and also recognised as being pensionable under the 2008 LGPS regulations.

**Start date of year used / End date of year used** will populate automatically from the Best of 3 Calculator to show the dates of the best year.

**Full Time Equivalent pay at last pay change**; please input the member's full time equivalent pay at the date of leaving and indicate when the rate applied from. (If the pay is reduced by payment days/weeks please add the relevant information in the box provided)

***Note:** If your employee received a Living Wage enhancement to their contracted pay, you must show the annual full time equivalent rate on which the Living Wage paid was based. The Living Wage is not published as an annual salary, however a full time equivalent rate should be determined and used in the consideration of the Final Pay.*

## Section 5. Notes

The following example shows the supporting notes for a member with a period of unpaid absence, where the member did not opt to pay Additional Pension Contributions to buy back the pension that was lost.

### 5. Notes

*Please include the dates of any periods of 50/50 Section membership. Please also provide details of any Unpaid Absences\* and APP.  
\*Periods of unpaid absence are those for which the member has not paid Additional Pension Contributions (APC) to buy back lost pension.*

Mrs Smith was on unpaid leave from 9th to 25th August 2017.  
She has not applied to buy back the period of lost pension.

Please include the details of the following in this section:

- Periods in the 50/50 section.
- Periods where APP was applied.
- Periods of unpaid absences or unpaid leave in the final year where APP did not apply or the member has not paid Additional Pension Contributions to buy back "lost" pension.
- Periods for which you were unable to obtain the pay information for. Such as where there has been a TUPE in the final year of membership.

Please also provide any other information in this section which you think is relevant us to accurately calculate the member's pension benefits.

***Note:** To move to a new line in the Notes section, click Alt + Enter.*

## Section 6. Declaration

### 6. Declaration

I certify that I am an authorised signatory as notified to Derbyshire Pension Fund. I confirm that calculations have been checked and that to the best of my knowledge, the information supplied is correct. I acknowledge that errors on this form may adversely affect the member's pension benefits.

<b>Signature</b>		<b>Date</b>	14/07/2019	<i>dd/mm/yyyy</i>
<b>Name</b>	Brian Hill	<b>Telephone</b>	01332 123456	
<b>Job Title</b>	HR/Payroll Manager	<b>Email</b>	<a href="mailto:bhill@highborough.academy">bhill@highborough.academy</a>	

The declaration must be signed and submitted by someone who is authorised by the employer concerned, to complete Derbyshire Pension Fund notification forms. If you are not sure if you have been previously authorised to complete notification forms, or would like to be, please contact us: [pensions.regs@derbyshire.gov.uk](mailto:pensions.regs@derbyshire.gov.uk)

The L1 requires information about the reason for leaving and pay information, so may require input from more than one part of your organisation, however, the authorised person signing and submitting the form is responsible for all of the information provided.

## 4: Glossary of terms used

### 50/50 Section

LGPS members are in the **Main** section by default, but may choose to join the **50/50** section, in which they pay contributions at half their normal rate and accrue pension at half rate.

### Actuarial Reduction

Also called 'early retirement reduction factor' or 'early retirement factor'. When an LGPS pension is reduced at retirement because it is earlier than the member's Normal Pension Age.

### Additional Pension Contributions (APC)

A contract where a member can pay back lost or buy more LGPS pension.

### Additional Regular Contributions (ARC)

ARCs were introduced to the LGPS on 1 April 2008 and were replaced from 1 April 2014 with Additional Pension Contributions (APC). See above. However, if the member had an existing ARC contract in place before 1 April 2014, this will have continued from April 2014 on the terms of the original contract.

### Assumed Pensionable Pay (APP)

**Assumed Pensionable Pay** is the assessment of **pay** (calculated by the employer) which the employee would have received if they had not been absent from work and moved to reduced contractual **pay** or nil **pay** as a result of:

- sickness or injury
- child related leave (i.e. ordinary maternity, paternity or adoption leave and any **paid** additional maternity, paternity or adoption leave).

APP is used to report to the fund what pensionable pay the employee would have accrued had they been on their regular pay. During periods of APP the employee pays pension contributions based on their actual received pay whilst the employer must pay its contributions based on the APP amount.

Employers can use one of two methods to calculate APP:

**Average pay** can be assessed by using the last 3 full month's pay, including any regular additional payments, but removing any one-off lump sum or non-regular payments and uprating the figure to a full year. The employer has the discretion to add back into the APP one-off or annual lump sum payments if they expect the APP to continue until the next time when such payments would be due.

**Current pay** can be used if, in your opinion as the employer, the average pay APP calculation is materially lower than the pay the member would have received had they been at work. In that circumstance, employers have the discretion to use a higher level of pensionable pay.

Whichever method is used, if a long term, unpaid, sickness absence crosses two 31 Marchs, the APP must be adjusted in line with CPI (Consumer Price Index).

### Assumed Pensionable Pay (APP) - Tier 1 & 2 Ill Health Retirement and Death in Service cases only

Where an employer terminates an active member's employment on the grounds of permanent ill health with a Tier 1 or Tier 2 ill health pension or an active member dies in service, an APP figure must be calculated using the last three full months' pay, including any APP already credited and

applied in those months. The employee may not have been on APP, however, this APP figure is needed to calculate the amount of enhancement added to the pension benefits due to ill health or death in service.

## AVCs

Additional Voluntary Contributions are extra contributions which a member can decide to pay to increase their income at retirement. An AVC is a contract set up with an external company chosen by us as an in-house AVC provider.

## CARE Pay (Career Average Revalued Earnings) - 2014 Definition of Pensionable Pay

CARE pay is the actual pay on which pension contributions have been paid over the scheme year (1 April to the following 31 March), based on the definition of pensionable pay in operation since 1 April 2014. A detailed explanation of the definition of pensionable pay introduced in 2014 is available in the LGA's HR Guide available on the [LGPS Regulations and Guidance website](#).

A brief summary extracted from The Local Government Pension Scheme Regulations 2013 of what is included (and excluded) from Pensionable Pay (2014) is as follows:

### Definition of Pensionable Pay (2014)

20. -(1) Subject to **regulation 21 (assumed pensionable pay)**, an employee's **pensionable pay** is the total of-

- (a) all the salary, wages, fees and other payments paid to the employee, and
- (b) any benefit specified in the employee's contract of employment as being a pensionable emolument.

For clarification this includes the following (*other pay not listed below may be classed as pensionable pay if it meets the criteria shown in the regulation above*):

- Normal salary or wages
- Bonuses
- Maternity, paternity, adoption and shared parental pay
- Shift allowance
- Overtime (both contractual and non-contractual)
- Additional hours payments for part time workers
- Any other taxable benefit specified in the contract as being pensionable

### Exclusions from Pensionable Pay (2014)

(2) But an employee's pensionable pay does not include—

- (a) any sum which has not had income tax liability determined on it;
- (b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;
- (c) any payment in consideration of loss of holidays;
- (d) any payment in lieu of notice to terminate a contract of employment;
- (e) any payment as an inducement not to terminate employment before the payment is made;
- (f) any amount treated as the money value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision;
- (g) any payment in consideration of loss of future pensionable payments or benefits;
- (h) any award of compensation (excluding any sum representing arrears of pay) for the purpose of achieving equal pay in relation to other employees;
- (i) any payment made by the Scheme employer to a member on reserve forces service leave;
- (j) returning officer, or acting returning officer fees other than fees paid in respect of—
  - (i) local government elections,
  - (ii) elections for the National Assembly for Wales,
  - (iii) Parliamentary elections, or
  - (iv) European Parliamentary elections.

## Certificate of Protection

Issued before 1 April 2008, a Certificate of Protection was issued by the employer if a member's job was downgraded, or their rate of pay was frozen or restricted in circumstances beyond the control of the employee.

The certificate lasted for a period of 10 years from the effective date of the reduction or restriction in pay. Therefore, the latest possible issue of a Certificate of Protection ceases to have effect for members who leave or retire after 1 April 2018.

## CPI

Consumer Price Index. The current measure of inflation that the government has decided to use to ensure LGPS related factors keep pace with increases in the cost of living.

## Final Pay (Final Salary Scheme) - 2008 Definition of Pensionable Pay

Members who joined the LGPS before 1 April 2014 have LGPS pension benefits that have a final salary link; they are calculated using the member's **final pay**. The LGPS became a CARE scheme on 1 April 2014.

A brief summary of Pensionable Pay (2008) to 31 March 2014, extracted from The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 is as follows:

### Definition of Pensionable Pay (2008)

#### Meaning of "pensionable pay"

4. —(1) An employee's pensionable pay is the total of—

- (a) all the salary, wages, fees and other payments paid to him for his own use in respect of his employment; and
- (b) any other payment or benefit specified in his contract of employment as being a pensionable emolument.

(2) But an employee's pensionable pay does not include—

### Exclusions from Pensionable Pay (2008)

(2) But an employee's pensionable pay does not include—

- (a) payments for non-contractual overtime;
- (b) any travelling, subsistence or other allowance paid in respect of expenses incurred in relation to the employment;
- (c) any payment in consideration of loss of holidays;
- (d) any payment in lieu of notice to terminate his contract of employment; or
- (e) any payment as an inducement not to terminate his employment before the payment is made.

(3) No sum may be taken into account in calculating pensionable pay unless income tax liability has been determined on it.

The member's **final pay** is the best of the following options:

- The average of the full time equivalent salary in the 365 days prior to leaving.

- The best year of the last three. If the member's pay had been higher in either of the two years before the final year, the average of the best year may be used. The dates considered must be consistent with the final year. E.g. If the member's final year was 1 August 2016 to 31 July 2017, the best of the previous two years could be either 1 August 2014 to 31 July 2015 or 1 August 2015 to 31 July 2016.
- If the member has a Reduction in Pensionable Pay protection, the average of the best three consecutive years in the final 13.

### Reduction in Pensionable Pay

Members who had reductions or restrictions to their pensionable pay, where the change in pay happened after 1 April 2008, can apply to protect their final pay. Providing the date of leaving the LGPS is within 10 years of the date their pay was reduced or restricted and they remained with the same employer (or were subject to a TUPE within the period), members can ensure their former pay is considered when their pension benefits are calculated. They can apply at any time up to one month before they leave or retire from the LGPS.

The application is subject to employer approval and, if approved, when calculating the pension benefits built up before 1 April 2014, we will look back at the last 13 years of pay (to the date of leaving) and use the best average of any three consecutive years, ending on 31 March.

### Shortfall/Strain cost

The figure paid by the employer to the pension fund, for not applying an actuarial reduction to a pension, when under normal retirement a reduction would have been applied. Usually when an employee has been made redundant (see **Actuarial Reduction** above).

### Vesting Period

The vesting period, which is normally two years in the LGPS, is the minimum membership period (including transferred-in pension) required for pension benefits to be paid. Members who have not vested can either;

- have a refund of their contributions (less a deduction for tax, and possibly NI for any periods before 6 April 2016)
- leave their pension in the fund and join their record to a subsequent LGPS record providing it commences within five years

## 5: Example of Assumed Pensionable Pay & CARE Pay

Martin is an employee who has been on long term sickness.

The relevant points in his case are:

- He moved to half pay on 20 January, so APP needs to be applied
- He received a £250 lump sum in November as part of a pay award agreement
- His pay also increased from December as part of the same agreement

October	November	December	January	February	March
£1,500	£1,750 (includes £250 lump sum payment as part of pay award)	£1,550	£1,250 Half pay	£775	£775

3 months whole pay prior to month of pay drop

Martin's employer has the discretion to use an **average pay** calculation, or use **current pay**.

The **current pay** method allows the employer to apply a higher APP figure, if the **average pay** APP figure is materially lower. In this example, because Martin would have been receiving an annual salary of £18,600 if he had been at work, his employer has the discretion to use this higher figure.

The **average pay** calculation uses the last three complete months on full pay. In this case October, November and December.

October	£1,500
November	£1,500 (note that the lump sum has been removed)
December	£1,550
<b>Total</b>	<b>£4,550</b>

To get the annual APP figure:  $£4,550 \div 3 \text{ months} \times 12 \text{ months} = \mathbf{£18,200}$

- The employer has the discretion to add the £250 lump sum payment into the calculation by adding it onto the final figure.
- Note that if a member has any earned payments, such as overtime, in the months you are using for APP, this should be included in the calculation and not treated as a lump sum payment.

The APP figure is then used for:

- Calculating the employer's pension contributions
- Determining the CARE pay for the period on reduced pay

Calculating the CARE pay for the scheme year:

<b>Full Salary</b>	
April to October, £1,500 x 7 months	£10,500
November	£1,750
December	£1,550
January (1 <sup>st</sup> to 19 <sup>th</sup> ), $£1,550 \div 31 \times 19$	£950
<b>APP</b>	
January (20 <sup>th</sup> to 31 <sup>st</sup> ), $£18,200 \div 12 \div 31 \times 12$	£587.10
February to March, $£18,200 \div 12 \times 2 \text{ months}$	<u>£3,033.34</u>
<b>CARE PAY TOTAL FOR THE YEAR:</b>	<b><u>£18,370.44</u></b>