



Pensionable pay

Pensionable pay (**PP**) is the pay on which employees normally pay pension contributions. PP is relevant to any pension calculations after 1 April 2014 (when the Career Average Revalued Earnings or CARE scheme came into effect). For final salary pension, up to 31 March 2014, the pension is calculated on Final Pay (for pre-1 April 2014 membership) – see page 44 of the [LGPS Payroll guide for more information on Final Pay](#).

Pensionable pay to calculate annual pension entitlement

Under the CARE scheme a member builds up Annual Pension based on the pensionable pay they earn during each scheme year from 1st April to 31st March. A formula is applied to the pensionable pay figure to calculate the Annual Pension as follows:

If a member is in the MAIN Section of the LGPS = Pensionable Pay earned from 1st April to 31st March / 49 = Annual Pension

If a member is in the 50/50 Section of the LGPS = Pensionable Pay earned from 1st April to 31st March / 98 = Annual Pension



Definition of pensionable pay – post 1 April 2014

An employee's pensionable pay is the total of:

- All salary, wages, fees and other payments (including overtime and additional hours) paid to the employee
- Any benefit mentioned in the employee's contract as being pensionable

An employee's pensionable pay does not include:

- Any sum which has not had income tax liability determined on it
- Any travelling, subsistence or other allowance paid as expenses incurred in relation to the employment
- Any payment in consideration of loss of holidays
- Any payment in lieu of notice to terminate a contract of employment
- Any payment as an inducement not to terminate employment before the payment is made
- Any amount treated as the monetary value to the employee of the provision of a motor vehicle or any amount paid in lieu of such provision
- Any payment in consideration of loss of future pensionable payments or benefits
- Any award of compensation (excluding any sum representing arrears of pay) to achieve equal pay in relation to other employees
- Any payment made by the scheme employer to a member on reserve forces service leave
- Returning officer or acting returning officer fees other than fees paid in respect of:
 - Local government elections
 - Elections for the National Assembly for Wales
 - Parliamentary elections or European Parliamentary elections.

Differences between CARE and Final Salary Schemes

There are three main differences to pensionable pay that is calculated for CARE pension (after 1st April 2014) and Final Salary (up to 31st March 2014), they are:

1. Non-contractual overtime has been removed from the exclusions list and so, from 1st April 2014, non-contractual overtime becomes pensionable.
2. A payment in consideration of loss of future pensionable payments or benefits is, from 1st April 2014, not pensionable.
3. Any actual pay paid by the Scheme employer to a reservist during Reserve Forces Service Leave is not pensionable.

More information on pensionable pay

Further information regarding Pensionable Pay can be found on:

- Pages 14-19 of the [LGPS Payroll Guide](#).
- Pages 17-19 of the [LGPS HR Guide](#).

Further support

Email: employer.engagement@eastsussex.gov.uk

This factsheet is one of a series put together by East Sussex Pension Fund to help support employers with processing key tasks.



Employer Toolkit...

Pointing you in the right direction

You can view the full employer toolkit at:

<https://www.eastsussexpensionfund.org/about-the-scheme/employers/employer-toolkit/>