



## Assumed Pensionable Pay

Assumed Pensionable Pay (APP) is a notional pay figure that employers must calculate when an employee's pensionable pay is reduced because they are absent from work. This notional pay figure is used to make sure an employee's pension builds up as if they were at work receiving their normal pay.

Note: Employees' pension contributions should be based on the pay they actually receive, not on the APP. However, employer pension contributions should be based on the APP for the period.

### When does APP apply?

#### **Sickness or injury leave**

APP applies when a member is absent due to sickness or injury and their contractual pay is reduced or they are receiving no pay. APP does not apply for any part of the leave period when the pensionable pay the member receives is more than the APP. This might happen if the member takes paid annual leave during a period of sickness absence.

#### **Ordinary maternity or adoptive leave**

APP applies when a member is on ordinary maternity leave (OML) or ordinary adoption leave (OAL) – the first 26 weeks of leave. If the member receives pensionable pay which is higher than APP, for example on a Keeping in touch day, then APP does not apply. The actual pensionable pay should be used instead. Note - During OML or OAL, APP applies even if the member is receiving no pay.

### **Paid additional maternity or adoptive leave**

APP applies when a member is on paid additional maternity or adoption leave – generally from week 27 to week 39. If the member receives pensionable pay which is higher than APP, for example on a Keeping in touch day, then APP does not apply.

The actual pensionable pay should be used instead. If the member is receiving no pay while on additional maternity or adoption leave, then APP does not apply. This should be treated as authorised unpaid leave.

### **Paid shared parental leave**

APP applies when a member is on paid shared parental leave. If the member receives pensionable pay which is higher than APP, for example on a Keeping in touch day, then APP does not apply. The actual pensionable pay should be used instead. APP does not apply during unpaid shared parental leave. This should be treated as authorised unpaid leave.

### **Paternity leave**

APP applies during periods of paternity leave whether the leave is paid or unpaid. If the member receives pensionable pay which is higher than APP, then APP does not apply. The actual pensionable pay should be used instead.

### **Reserve forces service leave**

A member who takes reserve forces service leave can choose to stay in the LGPS. If they decide to stay in the LGPS, then APP applies for the whole period of reserve forces service leave. The APP figure must be reported to the administering authority as usual. It must also be reported to the Ministry of Defence who will collect the employer and employee contributions that are due.

### **Parental bereavement leave**

APP applies when a member is on parental bereavement, and they are receiving some pay. APP does not apply during unpaid parental bereavement leave. This should be treated as authorised unpaid leave.

## **When APP does not apply**

### **Unpaid additional or adoptive leave**

APP does not apply during unpaid additional maternity or adoption leave. Typically, this will be from week 40 onwards, however unpaid additional maternity or adoption leave could start from week 27. The member can choose to buy back pension 'lost' in this period by paying Additional Pension Contributions.

### **Unpaid shared parental leave**

APP does not apply during unpaid shared parental leave. The member can choose to buy back pension 'lost' in this period by paying Additional Pension Contributions.

### **Absence due to industrial action**

APP does not apply during an absence due to industrial action. The member can choose to buy back pension 'lost' due to strike absence by paying Additional Pension Contributions. The employer does not have to pay towards this.

## Other periods of unpaid absence

APP does not apply during any other period of authorised or unauthorised unpaid absence. The member can choose to buy back pension 'lost' in a period of authorised unpaid absence by paying Additional Pension Contributions. Pension 'lost' during unauthorised unpaid absence cannot be bought back.

## Calculating APP

The calculation of APP uses the three complete months' or 12 complete weeks' pensionable pay the member received relating to that employment before:

- the period of reduced contractual pay or nil pay due to sickness or injury started
- the relevant child related leave commenced or
- the member commenced reserve forces leave.

If the pensionable pay the member received during the three month or 12-week period is reduced because of an absence with the employer's permission or due to a trade dispute, the reduction in pay is ignored in the APP calculation.

If the pay the member received in the three-month period (or 12 weeks if paid weekly) is materially lower than the pay they would normally receive, the employer has a discretion to use a higher pay in the APP calculation. The employer must have regard to the pensionable pay the member earned over the previous 12 months when determining what the normal level of pensionable pay is.

You can read more on how to calculate APP in section 4.2 of the '[LGPS Payroll guide](#)'.

There is also an online LGPS Training module on calculating APP available – [click here](#).

## More information on Assumed Pensionable Pay

Further information can be found on:

- Pages 33-38 of the [LGPS HR Guide](#).
- Pages 20-28 of the [LGPS Payroll Guide](#).
- Several [bite-sized APP training modules](#) are available.

## Further support

Email: [employer.engagement@eastsussex.gov.uk](mailto: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/>