LGPS Employer Training:
APP for ill health and death benefits

Assumed Pensionable Pay (APP) is a notional figure that employers must calculate when an employee's pay is reduced because they are absent from work.

APP is also used to calculate:

1. death in service lump sums
2. enhanced pensions for partners and children
3. enhanced ill health pensions.

Calculating APP

If a member is ill health retired with an enhanced pension (tier one or two) or dies in service, the employer will need to calculate the annual APP figure. The employer should provide this to the administering authority with the usual leaver information.

Step 1: Calculation

Look at the member's pensionable pay in the last three full months before the date of death or ill health retirement.

If the member is not monthly paid, look at the member's pensionable pay in the last full 12 weeks before the date of death or ill health retirement.

Calculate the average of the pensionable pay in the period after removing any lump sums.

If the member was paid any arrears not relating to the period, ignore these.

Ignore any reduction in pay due to strike or authorised leave.

Use any previously calculated APP figure as pay if it falls in the period.

Step 2: Convert to an annual figure

Convert the average you have calculated into an annual figure.

Multiply by 12 if monthly paid or by the relevant weeks if not monthly paid.

Step 3: Add regular lump sums

Consider any lump sum payments paid in the last 12 months before the pay period in which the member died or was ill health retired.

Decide whether those lump sums were regular. A lump sum is classed as regular if you would expect it to be paid on a regular basis.

Regular lump sums should be added to the yearly figure.

Any lump sums which are not regular should be ignored.

Points to note

- If APP is materially lower than the pay the employee normally received, the employer can substitute it with a higher figure. The employer must take into account the employee's pensionable pay in the previous 12 months.
- A separate APP calculation is needed for each employment.
- Check if the employee reduced their hours. If an Independent Registered Medical Practitioner certifies that the hours were reduced because of the ill health condition which led to retirement or death, ignore the hours change when calculating APP.

Example – death in service

Solomon G does in service on Saturday 11 July.

His pensionable pay over the last three months was:

April: £1,350

May: £1,350

June: £1,400

A regular bonus of £2,000 had been paid in the previous August.

Average last three months' pay

The employer will first need to calculate the average of the last three months, and then convert to an annual figure:

£1,350 + £1,350 + £1,400

= £4,100 ÷ 3 × 12 = **£16,400**

Add regular lump sums

As the £2,000 bonus paid in the previous August was a regular payment made in the last 12 months, it should be added to the annual figure to work out the APP amount. Solomon's APP is therefore:

£16,400 + £2,000 = **£18,400**

Well done! You have completed this bite-size training

You can get more information on APP and other employer responsibilities from www.lgpsregs.org.