LGPS Employer Training – Final Pay

This course covers final pay which you will need to calculate for members with final salary benefits. Final salary benefits were generally built up before April 2014.

Contents

Introduction to final pay

The LGPS changed from a final salary to a Career Average Revalued Earnings (CARE) pension scheme on 1 April 2014. Pension benefits built up in the final salary scheme remain as final salary benefits. This means you still need to provide final pay information to your LGPS administering authority for members with final salary membership.

In the final salary scheme the pension is worked out using the member’s pay at leaving. In the CARE scheme the pension is worked out every year based on the member’s pensionable pay in that year.

Your employees may have final salary membership in the LGPS even if their employment with you started after 1 April 2014. This could be because they have transferred in a pension from another public sector pension scheme or they paid into the LGPS in a previous employment.

When you need to calculate final pay

The list below sets out when you need to calculate pay for members who have final salary membership in the LGPS:

1. When a member leaves the LGPS
2. When a member requests a quotation of benefits
3. Every year so your administering authority can provide annual benefit statements (this figure is often an estimated full time figure, check with your administering authority)
4. When a member exceeds the annual allowance tax limit on pension savings (your administering authority will request this)
5. When a member protected by the McCloud remedy reaches their normal pension age in the 2008 scheme (usually age 65)
6. When the administering authority contact you to ask for a final pay figure.

The final pay figure is the full time equivalent pay in the final year ending on the day of leaving.

Final pay periods – an example

Amy leaves on 10 August 2026.

She has service before 1 April 2014 linked to final salary.

Her final pay period is 11 August 2025 to 10 August 2026.

Note: If any one of the two previous years' final pay figures is higher, that is the one used to work out the LGPS final salary benefits.

Previous two pay periods – an example

If Amy's final pay figure for 11 August 2024 to 10 August 2025 or 11 August 2023 to 10 August 2024 is higher, you should provide this figure to your administering authority.

Further protection can be claimed for reductions in grade and certain other reasons. More details are available in 'Final pay protection'.

Note: If a scheme member is variable time or paid by fees (meaning that they are paid for the job or piece of work rather than the hours worked), final pay is worked out differently.

Please check out 'Final pay and fees' for more information.

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

Final pay calculations

What is included?

Final pay is the full time equivalent pensionable pay in the year ending on the date of leaving.

Pensionable pay, as defined in the final salary scheme, should be used to work out final pay. This is defined as all salary, wages and fees, and other payments, paid in relation to the employment. It also includes any other payment specified in the contact of employment as being a pensionable emolument.

It is important to note that although non-contractual overtime is pensionable in the CARE scheme, it was not pensionable in the final salary scheme and you should not include it when you work out final pay.

The following payments are not pensionable and should not be included when you work out final pay:

- Travelling, subsistence or any other expenses
- Payment in consideration of loss of holidays
- Payment in lieu of notice
- Payment as an inducement not to terminate employment
- Any payment for cars*
- Equal pay compensation
- Returning officer fees for elections **other than** local government, National Assembly of Wales, or Parliamentary

*Payments for cars are excluded from pensionable pay except where the member received pensionable payments for a car as at 31 December 1992 and has been continuously employed with the same employer, or was transferred to another employer.

There are some other exclusions from pensionable pay for certain less commonly occurring payments:

- Supplements paid by the Environment Agency
- Contribution supplements made to Learning and Skills Councils ex Civil Service Pension Scheme members
- Payments in respect of school achievement awards
- Employees of the Commission for New Towns termination payments in respect of completion before a specified date

Knowledge check: What is included in final pay?

Which of the following should be included in final pay calculations?

a. Weekend working enhancement
b. Pay in lieu of notice
c. Performance related pay
d. Mileage
e. Non-contractual overtime
f. Contractual pay
g. Equal pay compensation
h. Bonus
i. Car supplement
j. Honorarium

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

Calculating the final year’s pay

Final pay is usually the whole time equivalent pay in the final year ending on the date of leaving. However, if one of the two preceding years is higher, this is used instead.

If a member has a period of reduced or unpaid leave during their final year of active membership, it can affect their final pay.

This section covers what this means for final pay calculations.

Final year’s pay

The final pay period is the year up to the last day of service. For example, if a member leaves on 31 March 2027 the final pay period is 1 April 2026 to 31 March 2027. However, if the final pay in either of the two preceding years is higher, that is used instead.

Sickness

Any period of sickness should be ignored. Final pay is based on the pay the member would have received if they had not been on sick leave.

Child related leave

Any period of relevant child related leave should be ignored, and final pay is based on the pay that the member would have received if they had not been on leave.

From 1 April 2026, relevant child related leave includes:

- ordinary and additional maternity leave,
- ordinary and additional adoption leave,
- shared parental leave,
- paternity leave,
- bereaved partner's paternity leave,
- paid parental bereavement leave, and
- paid neonatal care leave.

Unpaid leave – less than 15 days

Periods of unpaid leave of less than 15 continuous days should be ignored, and the final pay should be based on the pay the member would have received if the absence hadn't occurred.

Unpaid leave – more than 14 days

Any period of unpaid leave of more than 14 continuous days should not be included in the calculation of final pay, unless the member has paid additional contributions into a Qualifying Additional Pension Arrangement (QAPA) to buy it back.

If the member buys back the period of leave by paying into a QAPA, their final pay should be calculated as if the absence had not occurred and the member had been at work as usual during the unpaid period.

If the member does not buy back the absence, final pay should be based on the number of days worked in the final pay period. The pay figure should be grossed up to a full year by dividing it by the number of days worked and then multiplying it by 365.

Strike (trade dispute)

Any period of unpaid leave due to strike action should not be included in the calculation of final pay, unless the member has bought it back by paying Additional Pension Contributions (APCs).

If the member does buy back the strike days by paying APCs, their final pay should be calculated as if the absence had not occurred, and the member was at work as usual during the unpaid period.

If the member does not buy back the absence, final pay should be based on the days worked in the final pay period. The pay figure should then be grossed up to a full year by dividing it by the number of days worked and multiplying it by 365.

Pay period less than a year

If a member leaves with less than one years' service and you are advised that they have a final salary benefit, the calculation should be based on the days worked in your employment. You may be asked for a different period if the employee has taken up employment with another local government employer and leaves them within twelve months of leaving your employment.

Unpaid leave which began before 1 April 2026

Previous regulations apply to periods of unpaid leave which started before 1 April 2026, including periods of unpaid additional maternity, unpaid additional adoption leave, and unpaid shared parental leave.

If the member elected to buy back the absence with an APC, the unpaid period will be ignored and final pay will be based on what the member would have earned if they had been at work as usual during the unpaid period.

If the member does not buy back the absence, final pay will be based on the number of days worked in the final pay period. The pay figure should then be grossed up to a full year by dividing it by the number of days worked and then multiplying it by 365.

Absences – an example

Arnold leaves his employment on 16 January 2027. His final pay period is 17 January 2026 to 16 January 2027.

During the final pay period, he was off sick for two days on half pay. The two day absence is ignored and the pay he would have earned, had he not been off sick, is used in the calculation.

Arnold was also on unpaid leave from 4 May to 24 May 2026. He did not pay additional contributions into a QAPA to buy back the lost pension, so the 21 day absence is not included in the final pay period. As he was on unpaid leave, no pay for this period is used in the final pay calculation.

The result should be divided by 344 and multiplied by 365 to give a full year's final pay.

Part time members

For part time members you should use the whole time equivalent pay for final pay purposes.

Part time members – an example

Alice works half time, 18.50 hours per week. The full time hours for her post are 37.

Her actual contractual pay in the final year was £15,000 and therefore the whole time equivalent pay is £30,000. The final pay is therefore £30,000.

Pay arrears

Final pay only includes the pay which is due for the period. Any payments made in the final pay period that relate to an earlier year must not be included.

Pay arrears – an example

Amir leaves on 31 March 2026. The final pay period is 1 April 2025 to 31 March 2026.

Amir receives a bonus payment of £500 in May 2025 for work carried out between 1 April 2024 and 31 March 2025. The £500 should not be included in the final pay period.

The £500 should be included in the previous year in this case. This could mean the previous year's final pay is higher. If it is higher, the previous year's final pay will be used to work out Amir's final salary pension.

If a scheme member is paid arrears after leaving their job that relate to the final year, the final pay should be recalculated including that pay.

Calculating final pay – quiz

Question 1: Final pay is…

a. The whole time equivalent pay in the last year
b. The actual pay in the last year
c. The whole time pay in the year ending 31 March 2014
d. The actual pay in the year ending 31 March 2014

Question 2: Final pay should only include…

a. Pay that is paid in the period
b. Pay that is due for the period
c. Contractual pay

Question 3: Link the correct statements

a. A member takes unpaid leave in their final year and does not buy back the lost pension.
b. For a part time period
c. For any period of sickness

1. Final pay should be calculated as if the member were working normally
2. Pay should be calculated for the days worked, then made up to a whole year
3. The whole time equivalent pensionable pay should be used

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

Final pay examples and exercises

This section provides some practical examples of final pay calculations as well as some exercises.

The example calculations have used one common method of working out pay for a part month, basing this on the days in the month.

Employers may use working days in the month, days in the year or working days in the year in line with their own working practices.

Calculating final pay – an example

Bob is a full time worker. He leaves on 14 January 2027.

The pay period for final pay purposes is 15 January 2026 to 14 January 2027.

Bob's pay rates were as follow:

1 April 2025 to 31 March 2026: £28,670

1 April 2026 to 30 September 2026: £29,282

1 October 2026 to 14 January 2027: £30,508

The final pay calculation is:

15 January 2026 to 31 March 2026: 2 months and 17 days

£28,670 ÷ 12 × 2 = £4,778.33

£2,389.17 ÷ 31 × 17 = £1,310.19

£4,778.33 + £1,310.19 = £6,088.52

1 April 2026 to 30 September 2026: 6 months

£29,282 ÷ 12 × 6 = £14,641.00

1 October 2026 to 14 January 2027: 3 months and 14 days

£30,508 ÷ 12 × 3 = £7,627.00

£2,542.33 ÷ 31 × 14 = £1,148.15

£7,627.00 + £1,148.15 = £8,775.15

£6,088.52 + £14,641.00 + £8,775.15 = **£29,504.67**

Bob's final pay is therefore £29,504.67.

If the final pay in one of the two previous years is higher than the final year, the earlier year's pay should be used to work out the member's pension.

Exercise – calculating final pay

Question: Sahana leaves on 31 August 2026.

The full time pay was £28,500 from 1 September 2025 to 31 March 2026 and £36,000 from 1 April 2026 to leaving.

What is Sahana's final pay?

Calculating final pay with a break – an example

Imran leaves on 15 March 2026.

His final pay period is therefore 16 March 2025 to 15 March 2026.

Imran had 5 days unpaid leave due to strike action from 2 August to 6 August 2025.

His rates of pay were:

1 April 2024 to 31 March 2025: £25,890

1 April 2025 to 15 March 2026: £27,082

Calculate the final pay for the days Imran worked:

16 March 2025 to 31 March 2025: 16 days

£25,890 ÷ 12 = £2,157.50

£2,157.50 ÷ 31 × 16 = £1,113.55

1 April 2025 to 28 February 2026: 10 months and 26 days

£27,082 ÷ 12 × 10 = £22,568.33

£2,256.83 ÷ 31 × 26 = £1,892.83

£22,568.33 + £1,892.83 = £24,461.16

1 March to 15 March 2026: 15 days

£27,082 ÷ 12 = £2,256.83

£2,256.83 ÷ 31 × 15 = £1,092.01

£1,113.55 + £24,461.16 + £1,092.01 = **£26,666.72** for the 360 days Imran worked

Scale up to a full year

£26,666.72 for the 360 days that Imran worked needs to be pro-rated up to 365 days.

£26,666.72 ÷ 360 × 365 = £27,037.09 final pay

If Imran had elected to buy back the 5 days unpaid leave due to strike action these would be included in the calculation.

The calculation would be:

16 March to 31 March 2025: 16 days

£25,890 ÷ 12 = £2,157.50

£2,157.50 ÷ 31 × 16 = £1,113.55

1 April 2025 to 15 March 2026: 11 months and 15 days

£27,082 ÷ 12 × 11 = £24,825.17

£27,082 ÷ 12 = £2,256.83

£2,256.83 ÷ 31 × 15 = £1,092.01

£1,113.55 + £24,825.17 + £1,092.01 = **£27,030.73**

Imran's pay was scaled up to a full year for final pay purposes.

If he had bought back any of the break, those days would be included in the pay calculation. It is possible for the pay to be higher or lower if the days have been bought back.

Exercise – calculating final pay with a break

Question: Jeremy leaves his employment on 31 March 2026.

He took three days of unpaid leave between 1 June and 3 June 2025, and also had a second period of unpaid leave between 1 September and 24 September 2025 which he did not elect to buy back with a QAPA.

His rates of pay were:

1 April 2025: £28,500

1 January 2026: £33,000

What is Jeremy's final pay?

Best of last three years pay – an example

Harriet leaves her employment on 31 January 2027.

Her final pay figures are calculated as:

1 February 2026 to 31 January 2027: £32,420

1 February 2025 to 31 January 2026: £32,420

1 February 2024 to 31 January 2025: £32,820

As the year from 2024 to 2025 is the highest in the last three years, this is the one that the administrator will use to calculate Harriet's benefits.

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

Pay protection

Benefit Regulation 10

This rule protects a member's final pay in certain circumstances.

The protection applies where a member's pensionable pay (for final pay purposes) is reduced or restricted for one of the following reasons:

Lower grade or less responsibility

Because the member chooses to be employed by the same employer at a lower grade or with less responsibility.

Equal pay achievement

For the purposes of achieving equal pay in relation to other employees of that employer.

Job evaluation

The employer carried out a job evaluation resulting in a drop in grade for the scheme member.

Loss of pensionable emoluments

Because of a change in the member's contract of employment resulting in the cessation or restriction of, or reduction in, payments or benefits specified in the member's contract of employment as being pensionable emoluments.

Pay restriction

Because the rate at which the member's rate of pay may be increased is restricted in such a way that it is likely that the rate of the member's retirement pension will be adversely affected.

The protection does not apply if the member's pensionable pay is reduced or restricted:

- More than 10 years before leaving
- Immediately following a period in which the member occupies a post on a temporary basis at a higher rate of pay
- Due to a reduction in hours or grade so that the member could flexibly retire

Final pay for a leaver with protection

You must still work out the final pay for the last three years ending with the date of leaving.

You must also work out final pay figures for each year, 1 April to 31 March, that falls in the 13 years ending on the member's leaving date.

Step one

Benefit regulation 10 extends back to a maximum of 13 years.

The final pay figures for the last 13 years should be calculated using the period 1 April to 31 March for each year.

If the member started employment in that period you should calculate as many years as possible, including any part years.

Step two

Final pay can be based on the average pay in three consecutive years (ending 31 March). The member can choose the best figure.

The best figure is not always obvious because cost of living increases are applied to pension benefits from the end of the pay period used. This means a pay figure may not be the highest, but it would provide the highest pension when cost of living increases are applied.

For this reason, it is very important that you provide all your calculations to your administering authority.

The administering authority will be able to help with how much information you need to provide and in what format.

It is important that employers retain up to 13 years' worth of pay information.

Pay from a previous employment can also be used in the calculation so records should be retained after the member leaves (for a minimum of 13 years).

Exercise – benefit regulation 10

Freddy is leaving employment on 30 April 2026 and had a reduction in pay on 1 June 2019. He has pay protection under benefit regulation 10.

Question: What action does the employer need to take?

a. The employer will need to calculate the final pay as usual as well as protected pay as defined under benefit regulation 10.
b. None as Freddy is leaving before retirement not within 5 years of the reduction in pay.

Question: What calculations does the employer need to do other than the usual best of last three years?

a. The employer will need to calculate up to the last 13 years pay from 1 April to 31 March each year.
b. The employer will need to calculate up to the last 13 years pay ending on the anniversary date of leaving.
c. The employer will need to calculate the best in the last 10 years ending on the anniversary date of leaving.

Question: In what circumstances would benefit regulation 10 not apply?

a. If the reduction was due to a job evaluation.
b. If the reduction was due to a temporary secondment ending.
c. If the reduction was due to a change in contract which meant a reduction or loss of emoluments.

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

Final pay and fees

A variable time member is one whose pay is calculated by reference to their duties and is not based on the number of hours worked, or whose duties only have to be performed on an occasional basis.

Examples might be returning officers paid for elections, registrars who are paid per wedding or clerks to school governors who are paid a set amount.

Fees final pay calculation

Fees are the exception to the rule that final pay is whole time equivalent pay.

Members that are paid by fees are also known as variable time members. These are scheme members that are paid for the job done rather than the time worked.

Step one

Instead of using the whole time equivalent pay over the past year, a variable time member has their final pay calculated as the average actual pay over the three years ending on the anniversary of the date of leaving.

If there are less than three years in the relevant period, the pay should be averaged using the relevant period as the divisor instead.

Step two

The employer can allow the average fees in a different three-year period to be used to work out final pay.

The average fees for any three year period ending on 31 March in the last ten years of membership can be used.

Final pay and fees – an example

Erin has a returning officer role as well as being a chief executive.

Erin leaves both roles on 31 July 2026.

Her fees in the returning officer role were:

> 1 April 2026 to 31 July 2026: £7,700
>
> 1 April 2025 to 31 March 2026: £0

1 April 2024 to 31 March 2025: £3,021

1 August 2023 to 31 March 2024: £500

Her returning officer role's final pay is calculated as the average actual pay over the past three years:

£7,700 + £0 + £3,021 + £500 = £11,221 ÷ 3 = £3,740.33

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

Exercise Answers

Knowledge check: What is included in final pay?

Which of the following should be included in final pay calculations?

a. Weekend working enhancement
b. Pay in lieu of notice
c. Performance related pay
d. Mileage
e. Non-contractual overtime
f. Contractual pay
g. Equal pay compensation
h. Bonus
i. Car supplement
j. Honorarium

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

Answers:

Should be included in final pay: a. c. f. h. j.

Should not be included in final pay: b. d. e. g. i

Calculating final pay – quiz

Question: Final pay is…

a. The full time equivalent pay in the last year
b. The actual pay in the last year
c. The full time pay in the year ending 31 March 2014
d. The actual pay in the year ending 31 March 2014

Answer: a. Final pay is the full time equivalent pay in the last year.

Question: Final pay should only include…

a. Pay that is paid in the period
b. Pay that is due for the period
c. Contractual pay

Answer: b. Only pay due for the period should be included in the calculation.

Question: Link the correct statements

a. A member takes unpaid leave in their final year and does not buy back the lost pension.
b. For a part time period
c. For any period of sickness

1. Final pay should be calculated as if the member were working normally
2. Pay should be calculated for the days worked, then made up to a whole year
3. The full time equivalent pensionable pay should be used

Answer: a2, b3, c1.

Exercise – calculating final pay

Question: Sahana leaves on31 August 2026.

The whole time pay was £30,000 from 1 September 2025 to 31 March 2026 and £36,000 from 1 April 2026 to leaving.

What is Sahana's final pay?

Answer: £32,500

Sahana's calculation should be :

1 September 2025 to 31 March 2026: £30,000 ÷ 12 × 7 = £17,500

1 April 2026 to31 August 2026: £36,000 ÷ 12 × 5 = £15,000

£17,500 + £15,000 = £32,500

£32,500 total final pay

Exercise – calculating final pay with a break

Question: Jeremy leaves his employment on 31 March 2022.

He took three days of unpaid leave between 1 June and 3 June 2025, and also had a second period of unpaid leave between 1 September and 24 September 2025 which he did not elect to buy back with a QAPA.

His rates of pay were:

1 April 2025: £28,500

1 January 2026: £33,000

What is Jeremy's final pay?

Answer: £29,676.32

The three-day unpaid absence in June is ignored as this period is automatically pensionable. The second period of unpaid leave between 1 September and 24 September 2025 is not included. The pay figure for the 341 days that Jeremy was paid is scaled up to a full 365 days.

The calculation for Jeremy's final pay should be:

1 April 2025 to 31 August 2025: £28,500 ÷ 12 × 5 = £11,875.00

1 September to 24 September 2025: £28,500 ÷ 12 × (6 ÷ 30) = £475.00

1 October to 31 December 2025: £28,500 ÷ 12 × 3 = £7,125.00

1 January to 31 March 2026: £33,000 ÷ 12 × 3 = £8,250.00

£27,725.00 total for 341 days

£27,725.00 ÷ 341 × 365 = £29,676.32

Exercise – benefit regulation 10

Freddy is leaving employment on 30 April 2026 and had a reduction in pay on 1 June 2019. He has pay protection under benefit regulation 10.

Question: What action does the employer need to take?

a. The employer will need to calculate the final pay as usual as well as protected pay as defined under benefit regulation 10.
b. None as Freddy is leaving before retirement not within 5 years of the reduction in pay.

Answer: a.

Question: What calculations does the employer need to do other than the usual best of last three years?

a. The employer will need to calculate up to the last 13 years pay from 1 April to 31 March each year.
b. The employer will need to calculate up to the last 13 years pay ending on the anniversary date of leaving.
c. The employer will need to calculate the best in the last 10 years ending on the anniversary date of leaving.

Answer: a.

Question: In what circumstances would benefit regulation 10 not apply?

a. If the reduction was due to a job evaluation.
b. If the reduction was due to a temporary secondment ending.
c. If the reduction was due to a change in contract which meant a reduction or loss of emoluments.

Answer: b.