

NHS Pensions - Total Reckonable Pay factsheet – 2008 Section

Final pensionable pay is calculated differently for members in the 2008 Section of the NHS Pension Scheme and is known as total reckonable pay. Total reckonable pay is the average of the best three consecutive years pensionable pay in the last ten.

This factsheet provides an example of how total reckonable pay is calculated, including how pay is revalued, establishing the reference years and calculating the best three year average.

When working out total reckonable pay, each years pay in the last 10 years before retirement is increased to bring that pay figure up to what it would be worth on the day of retirement; the referencing period can only commence from 1 April 2008 or later. Where a member has worked part time their notional whole time equivalent pay is used. By doing this, past pay can be compared to later pay in like terms; the revaluation factor used is based on the current pensions increase table at the date of leaving the Scheme .

Please note that we will not require any pay figures on the AW8 for these members as we will calculate this from the information held on the members record. Please ensure that the members records are updated accurately.

For estimate purposes we will calculate total reckonable pay based on the pay up to the last update.

Example - Member of the 2008 Section retiring 25 May 2012. This member is whole time.

Determine the whole time equivalent pay for each reference year

Period	1/4/08 – 31/3/09	1/4/09 – 31/3/10	1/4/10- 31/3/11	1/4/11- 31/03/12	01/04/12 – 25/05/12
Employer TPP	£23000.00	£24100.00	£24165.00	£25770.00	£3936.35
Calendar days	365	365	365	365	55
Pensions Increase Factor (2012 table)	1.0846	1.0846	1.0520	1.00	1.00
Revalued TPP	£24945.80	£26138.86	£25421.58	£25770.00	£3936.35

Establish the reference years

This is done by stepping back in periods of 365 pensionable days from the last day of membership (unpaid membership would be disregarded) for more information on this please see the disallowed days factsheet.

Reference Years	Ry5 1/4/08 – 25/05/08	Ry4 26/05/08 – 25/05/09	Ry3 26/05/09 – 25/05/10	Ry2 26/05/10- 25/05/11	Ry1 26/05/11- 25/05/12
Pro-rata calculations	Ignore this period as it is less than 365 days	$\frac{£24945.80}{36}$ $5 \times 310 =$ $£21186.84(A)$ $\frac{£26138.86}{36}$ $5 \times 55 =$ $£3938.73 (B)$ $A + B =$	$\frac{£26138.86}{36}$ $5 \times 310 =$ $£22200.13(A)$ $\frac{£25421.58}{36}$ $5 \times 55 =$ $£3830.65 (B)$ $A + B =$	$\frac{£25421.58}{36}$ $5 \times 310 =$ $£21590.94(A)$ $\frac{£25770.00}{36}$ $5 \times 55 =$ $£3883.15(B)$ $A + B =$	$\frac{£25770.00}{36}$ $5 \times 310 =$ $£21886.85 (A)$ $£3936.35 (B)$ $A + B =$
3 year totals		£25125.57	£26030.78	£25474.09	£25823.20

Determine the best three consecutive years out of the last 10

Reference years 1+2+3 = £77328.07

Reference years 2+3+4 = £76630.44

Reference years 1 + 2 + 3 are the best 3

Total of these three years added together are $\frac{£77328.07}{3} = £25776.02 =$ total reckonable pay used for benefits.

There are variations to this calculation for example for a member who has less than 3 years membership or where earliest three reference years are the highest. For more information on these cases please contact NHS Pensions.