

## Powys Pension Fund Quick Guide to Calculating Average Weekly Hours

1. In order for Powys Pension Fund to apply the appropriate remedy to our member's records under McCloud legislation, we now require hours worked per week for ALL employee records since commencement of employment (as well as service break information). The guide on the next page gives a little more background information.
2. Providing the weekly hours worked is straightforward for someone on regular/contracted hours, but not so for others, perhaps because the employee works irregular hours, or works occasional additional hours on top of (any) regular contracted hours, hence the need for the calculation described below.
3. To calculate the average weekly hours figure, use the following formula:-

$$\begin{aligned} & \text{(Total contributions paid, divided by contribution rate) x 100} \\ & \text{divided by the hourly rate} \\ & \text{then divided by the number of weeks (in period)} \\ & \text{= Average weekly hours for the period} \end{aligned}$$

(If the pay rate and contribution rate are the same throughout the year, then you only need one calc per year; if not, then obviously you would need to break it down into the applicable, smaller periods.)

4. For example, for an employee with the following figures in 2020/21:
  - Total contributions of £465.00
  - Employee contribution rate of 5.5%
  - Hourly rate of £10.20
  - Weeks in period are 52.14,

the calculation would be:

$$\begin{aligned} & (465.00 / 5.5) * 100 \\ & \quad / 10.20 \\ & \quad / 52.14 \\ & \text{= 15.90 average weekly hours, for 2020/21} \end{aligned}$$

5. To assist with this calculation you may wish to use the spreadsheet on the next page (double-click on it to make entries).

Employee name:							
Employee pay ref:							
	<b>Example</b>						
Period/Year	20/21						
Input Pension Conts	465.00						
Input Hourly Rate	10.2000						
Input Cont Rate	5.50						
Input No of Weeks	52.1400						
Ave. hrs per week	15.90	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#

### Background information

- Under the 2014 CARE scheme, it was originally intended that average weekly hours would only need to be recorded for employees entitled to the original Underpin\* protection. As you will see from 2. below, in order to be able to calculate post-14 benefits under the original Underpin and McCloud underpin rules, the service information is required.
- This is because the formula for calculating pension accrued under the 2008 final salary scheme is as follows:  

$$\text{Final pay pension} = \text{Service} \times 1/60 \times \text{Final pay}$$
- Service accrued for a part-time employee is obviously less than that for a full-time employee, and therefore the average weekly hours are a pre-requisite in order to calculate the service to be included in the final pay calculation.

\*Underpin protection - Anyone 10 years or less from their normal retirement date on 1<sup>st</sup> April 2012 was assured that the change from a final salary scheme to a CARE scheme on 1<sup>st</sup> April 2014 would not have a detrimental effect on their retirement income (known as the "Underpin"). Accordingly, keeping a full record of hours worked was an essential part of the pension record held in respect of those members. However, for those without that underpin protection, this information was not kept by the Powys Pension Fund post-1<sup>st</sup> April 2014, as under the CARE scheme rules, this does not form part of the benefit calculation. Following several court cases, a High Court judgement and some new legislation, all that has now changed and historical as well as current average working hours information is required.