**Pensionable Salary**

*Pensionable salary* for a defined benefit scheme is often used for determining the earnings on which contributions are based. *Pensionable salary* figures are also generally taken into account when determining the *final pensionable salary* to be used for calculating a member’s pension.

The basis for determining *pensionable salary* will be set out in the scheme rules and may include all of a member's earnings or may exclude certain elements (e.g. bonuses and overtime). In addition, there may be a deduction applied to the *pensionable salary* (e.g. the lower earnings limit).

Typical definitions of *pensionable salary* might include:

Basic salary at the scheme anniversary date

Total earnings in the previous scheme year (or tax year)

Annual pay at 6 April less the lower earnings limit

The basis for determining *final pensionable salary* for a defined benefit scheme will also be set out in the scheme rules.

Typical definitions of *final pensionable salary* at the date of retirement might include:

 Latest *pensionable salary* at retirement date

 Highest *pensionable salary* in any one of the five years prior to retirement date

Average of the highest three consecutive *pensionable salaries* in the last ten years prior to retirement date

If a member leaves or dies before retirement date, *final pensionable salary* is generally calculated in the same way but based on the member`s actual date of leaving or death.