

The Effect of a Pay Reduction on Pension in the Local Government Pension Scheme (LGPS)

The first thing to point out is that you don't need to do anything until your pay actually reduces – this will be at the end of any pay protection.

We can offer 2 forms of pension protection to any employee who suffers a reduction in pay – the choice you make will depend on whether you can guarantee to retire within 10 years of losing the pay.

If you cannot guarantee to retire within 10 years of losing pay, then we can offer you the option to freeze your pensionable service on the day you lose pay – this will have the effect of protecting your previous service on your higher rate of pay and this is then inflation linked. Then you rejoin the pension scheme the day after you lose pay on your lower rate of pay and you build up another period of pensionable service. **PLEASE NOTE, your new period of service will be under the new pension regulations and your retirement age on this service is age 65.** When you retire, we will bring both periods of service into payment. You would only be able to link this frozen pension to your new membership within 12 months so if you subsequently get promoted, you may not be able to link your previous service if it's more than 12 months after.

If you can guarantee to retire within 10 years of losing pay, then you don't need to do anything until you actually retire. When you retire, you need to let staff in Pensions know that you have lost pay within the last 10 years – we can then work out which is the best pay figure to base your pension benefits on. All employees can choose the best of their last 3 years pensionable pay on which to base their pension benefits but if you have lost pay within the last 10 years, you can choose the average of any 3 consecutive years pay within the last 10 years. The pay we use will then be inflation linked. If you can guarantee to retire within 10 years of losing pay, then we can usually calculate all of your pensionable service on a higher rate of pay than you are actually earning on the day you retire. Please note that if we are using a 3 year average, then these are based on year ending 31st March – not the date you retire on.

If you choose to freeze your service, then you have to request this in writing within 12 months of losing pay.

If you can guarantee to retire within 10 years of losing pay, then you don't need to do anything until you actually retire but you must then inform staff in Pensions that you have lost pay within the last 10 years.

Further information can be obtained by telephoning the pensions section on 01204 331526 or 01204 331529.