

# Oxfordshire Pension Fund

***Thinking about ...***  
**what happens to my  
pension if my pay goes  
down and I have been  
a member before  
April 2014**

## Introduction

Although there was a fundamental change in the way we calculate your pension from 1 April 2014, if you have membership in the scheme before that date and have protection for a 'final salary' pension using the membership built up until 31 March 2014 you may find this leaflet useful if your rate of pay goes down. The reduction in pay could be before or after the 2014 scheme change.

This leaflet looks at how a reduction in pay might affect your pension, and what steps you may be able to take to keep the calculation based on a higher value.

The definition of 'Pensionable Pay' changed in 2014. This leaflet concerns the definition using the 2007 LGPS regulations, there is a reminder of those terms on page 5.

Terms and conditions will apply.

## Why has your pay been reduced?

### 1. Same job, same RATE of pay - but working fewer hours each week

A change of your hours while keeping the same rate of pay or grade or scale point will not affect the pension calculation for the period before April 2014, for the majority of scheme members. It does make a difference to how your pension builds up in the 2014 scheme.

### 2. Same job, but RATE of pay will be going down

Your pension record continues. You may have protection to use earlier, higher pay figures to calculate pension if you leave within 10 years of reduction to your pay. Your contribution rate may change.

### 3. New job, lower pay, same employer

After April 2014, a new job with the same employer is usually automatically linked.

You can choose to keep the periods/employments separate if you ask for that separation in writing to Pension Services within a year of the change. After a year you must make any request to separate pension records to your employer. They should have a policy in place to cover such requests.

Keeping the records separate means you will have two pension records - one with a deferred pension based on the time you had in the higher paid job, the other on the lower pay as an active record.

However you can link the records and you may be able to use the protection offered by the 'Regulation 10' to protect the value of the earlier final salary related pension if you leave within 10 years of the drop in pay.

This leaflet continues with more detail on the events summarised above, to help you make decisions about your pension after a change to your employment arrangements. Some changes are because you have asked for them; others, a result of your employer's action.

Whenever your pay or your contractual hours change your pension can be affected. If the reduction to pay happened before 2008 there were different arrangements in the LGPS for protecting your pension. Although, if you have continued in the same employment, that protection will be coming towards its end.

If you only have LGPS membership after April 2014, pensionable pay directly relates to the pension in your account and there are no protection provisions. You will find more information about buying additional pension or 'restoring' lost LGPS pension on [www.lgpsmember.org](http://www.lgpsmember.org)

**1. Working fewer hours is perhaps the most common reason for a reduction in take home pay.**  
(Not counting increases to Tax, National Insurance or pension contributions.)

When you change your contractual hours, but not your grade or scale point, or what we term the 'whole time equivalent rate of pay' it is unlikely your employer will treat this change as a 'new employment'. Your whole time equivalent rate of pay is unchanged, this means your pre-2014 final salary pension is not affected.

Your pension that builds up in the new 2014 scheme will be reduced, because your actual pay is less.

There are no 'pension protection' steps following a reduction in hours.

A change to the hours you work may mean a change to your contribution rate.

***Are there other things to think about?***

***A Are you paying an AVC?***

Please check that the amount you pay is not more than 50 percent of your new pay if you started to pay your AVC before April 2014.

***B Do you have any other contractual arrangement with LGPS?***

Please check with Pension Services. Any contract, for example, to buy additional pension, may need a full reassessment.

**2. Reduction in pay after an employer's job evaluation exercise.**

Although your job remains the same, your employer will be reducing your rate of pay. The reduction may not happen immediately, because sometimes an employer will protect the former rate of pay for a specified period. We expect the employer to tell Pension Services what the new rate will be and when it will come into payment and that the change in pay meets the criteria for you to use this form of pension protection.

Your employer will tell you if the rate for your pension contributions will change.

If you leave your job within 10 years of the pay reduction, you may have the protection of being able to choose to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March), plus inflation if you have continuing membership in the LGPS from before 1 April 2014.

Your employer should keep enough records to allow you the chance to make this choice, and we would recommend you also hold onto the details about your pay.

This will offer a level of protection for your final salary pension - on membership up to 31 March 2014 - even if the reduction to your pay happens after April 2014.

To take up the option of this 'Regulation 10' calculation for the final pay a member must make the election at least one month before leaving, all the criteria must apply and be agreed by your employer.

**Other things to think about if this is going to happen to you:**

**A Are you paying an AVC?**

Please check that the amount you pay is not more than 50% of the new rate of pay where the contract began before April 2014.

**B Do you have any other contractual arrangement with LGPS?**

Please check with Pension Services. Any contract, for example to buy additional pension, you may already have in place will need to be reassessed.

3. a) **Reduced pay after redeployment** made by your employer, possibly as a result of restructuring or to avoid a dismissal on grounds of redundancy\*. There may be a period of pay protection on offer too.

\* In the event your trial redeployment is not successful the next action will depend on your age and the employer decision about terminating the employment. Early retirement is not covered in this leaflet.

OR

b) **You choose to move to a lower paid job**

The new employment in either circumstance above would generate an exchange of information between your employer and Pension Services, because strictly, even though there is no gap between your jobs, the LGPS Regulations suggest there ought to be a new pension record. Having a new pension record requires you, the pension member, to decide whether you want to keep the pensionable records together or separate. Under the regulations this is your choice to make within a year of the move.

Pension Services will automatically link pension records where your employer tells us that the new, lower paid employment starts immediately after a higher paid employment ends unless you decide that is not what you want to happen. You should look at your own circumstances and the following information is the start of your fact finding for reaching a decision about linking pension records.

- **IF YOUR NEW JOB IS LESS WELL PAID** and you have pre-2014 membership you might wish to consider whether it would be better to keep your benefits separate.

**If you keep your benefits separate** – you will receive two sets of retirement benefits. Those from your old job will normally be based on your membership to March 2014 and pension within the 2014 CARE scheme until the new job started and final year's pay on leaving that job, increased in line with the cost of living (inflation). Benefits in your new job will be based on your pensionable pay in the new job only.

**This may mean, if the pay level in your new job is less than the pay level in your old job plus inflation and you don't think that with future pay awards, increments or promotions the pay level in your new job will overtake that of your old job plus inflation, you may feel it is in your interests to keep your benefits separate.**

**If you think that in the future the pay level in your new job will overtake that of your old job plus inflation you may feel it is in your interests to join your benefits together.**

**If your new job is with the same employer, you have not had a break in service, and you join your benefits together** – you will receive one set of retirement benefits based on your total membership from both your old and new jobs and your final year's pay in your new job.

However, you **may** have the additional protection of being able to choose to have your benefits based on the average of any 3 consecutive years' pay in the last 13 years (ending on a 31 March), plus inflation, if you leave the employer within 10 years of the reduction in your pay. This option will depend on the reasons behind starting the new job, and what protection is offered within the LGPS regulations.

If you keep the pension records separate, then your entitlement to payment of those pensions must be looked at separately too, and they may each have different criteria.

## **IMPORTANT**

If you have worked part-time in either of your employments, then the pay figure you should use when making the comparison is the pay you would get if you worked full-time in that job, not the actual part-time pay.

Throughout this leaflet, there are references to pensionable pay.

The old final salary scheme to 31 March 2014 could only include contractual overtime with your usual salary as pensionable pay, from 1 April 2014 you should pay your pension contributions against all overtime and salary or wages.

\* A reduction to your rate of whole time equivalent pay coming after April 2014 will affect the calculation of your pension if you have any membership on your record before 1 April 2014.

There is no 'pension protection' in the 'CARE' 2014 scheme, the protections exist for the final salary elements of your pension within the time limits in the regulations.

Where you have a new employment with the reduced pay you must decide, whether to allow the link between the employments to continue or whether you want to keep the records separate.

● **DEATH AND FAMILY BENEFITS** may be affected by your decision.

**However, if you join your benefits together** the death grant payable on death in service will be approximately three times your pay in your current job. If you are part-time, the lump sum death grant in your current job is approximately three times your actual part-time pay (disregarding any reduction in your pay if your hours had been reduced due to the illness that led to your death).

**If you were not married when you left your old job, decide to keep your earlier benefits separate and marry at some point after leaving your old job**, any widow's pension in respect of the deferred benefits will only be calculated on membership from 6 April 1978 and any widower's pension in respect of the deferred benefits will only be calculated on membership from 6 April 1988. If you join your benefits together and you are married by the time you leave the scheme, the spouse's pension will be based on all your membership.

**If you have a co-habiting partner** – left your old job before 1 April 2008 and decide to keep your earlier benefits separate, your co-habiting partner will not receive a survivor's pension in respect of your earlier membership.

If you join your benefits together, all your membership from 6 April 1988 will attract a co-habiting partner's pension if the terms and conditions of the LGPS are met.

**Co-habiting partner** – you do not have to complete a form to nominate a co-habiting partner but our fund must be satisfied that for at least a 2 year continuous period immediately before your death your partner can show eligibility criteria are met. Full details on <https://www.lgpsmember.org/more/cohab-partner.php>

### ● THE REDUCTIONS APPLIED ON THE EARLY PAYMENT OF BENEFITS

If you voluntarily retire and draw your benefits before your state pension age, they will normally be reduced to take account of being paid for longer. However, the reductions may vary according to the reasons for early payment, when you left an employment (if keeping periods separate) and your age.

You may have some protections against reductions depending on your earlier membership and these could affect your decision on keeping periods separate. Working out how you may be affected, under what is termed 'the rule of 85' and is a complex area. There is information here <https://www.lgpsmember.org/more/eightyfive.php> but it is likely you will need to contact Pension Services for individual information, which may affect your decision.

### ● LEAVING EMPLOYMENT AND REQUESTING PENSION PAYMENT BEFORE YOUR NORMAL PENSION AGE OR STATE PENSION AGE

You are recommended to research your alternatives and their effects before making your decision about keeping periods and pension records separate. Once made the decision is not reversible while your employment continues.

### ● FUTURE ILL HEALTH RETIREMENT OR REDUNDANCY / BUSINESS EFFICIENCY RETIREMENT BENEFITS

**If you keep your benefits separate** and you eventually retire early on ill health grounds or are made redundant or retired on business efficiency grounds and you are entitled to immediate payment of benefits – your benefits will be calculated **only** on the re-employed record. However, it may be possible to have your deferred benefit put into payment early:

- from age 55, as a reduced pension
- with employer's agreement to waive any reduction for an early payment, subject to your individual application to the employer and their policy
- from any age on permanent ill health grounds. This is a decision made by your former employer based on your fitness for the job you were working in when you left the LGPS in your earlier employment **and**, the likelihood of you being capable of any gainful employment.

**If you join your benefits together** and you eventually retire early on ill health grounds or are made redundant or retired on business efficiency grounds and you are entitled to immediate payment of benefits, those benefits will be calculated on all of your membership.

- **IF YOU WERE PAYING EXTRA CONTRIBUTIONS INTO THE LGPS OR PAYING INTO THE SCHEME'S ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) ARRANGEMENT IN YOUR OLD JOB,** contact Pension Services to find out how your decision will affect these additional contractual arrangements.

- **LEAVING EMPLOYMENT BEFORE RETIREMENT**

You will receive details of your deferred benefit.

## REMEMBER

**Please read the information here, and ask for further clarification if you need it. You will have 12 months from the start of the new job to request that your pension records are kept separate. It is important to think about what is best for you.** Pension Services will need to have your written decision.

You will normally have twelve months to confirm this action. If you want to keep the pension records – and the benefits building up in the LGPS, as separate from each other, you must tell Pension Services.

## Time Limits

You normally only have 12 months from re-joining the LGPS to choose to keep separate records. Unless your employer allows you longer.

There are a lot of things to think about when deciding whether or not to join your benefits together. You need to consider your own circumstances carefully before you make a decision and, as your circumstances might change in the future, your decision may have to be based on what you think is most likely to happen. You may wish to seek the help of an independent financial adviser.

This leaflet is for employees in England or Wales and reflects the current provisions of the LGPS November 2017. Changes to the scheme can be made by the Government in the future after consultation with interested parties.

This is a brief leaflet about reductions in pay in an employment and joining LGPS benefits together following the commencement of a new employment with the same employer, immediately after the ending of the earlier employment. This is for general information only and cannot cover every personal circumstance, and relates to pension building up within the LGPS Regulations. These notes do not cover pensioners with a deferred pension as a result of a suspended ill health pension, or linking pension benefits built up with different employers, or transfer where TUPE may apply. This reflects Oxfordshire Pension Services administration process. If there is any dispute over your pension benefits, the appropriate legislation will apply.

*The information shown here does not confer any contractual or statutory rights. It is provided for general information purposes only and is based on our current understanding of the existing LGPS regulations.*

*Your actual pension entitlement will depend on the LGPS regulations in force at the time you leave the scheme. These may be different from the current LGPS regulations and may result in changes to your pension entitlement.*

You can get more information from **Pension Services**  
[www.oxfordshire.gov.uk/pensions](http://www.oxfordshire.gov.uk/pensions)

*email* [pension.services@oxfordshire.gov.uk](mailto:pension.services@oxfordshire.gov.uk)

*write* Pension Services, Oxfordshire County Council,  
~~4060~~ Kingsgate, Cascade Way, Oxford Business Park  
South, Oxford OX4 2SU

**The national website for members of the LGPS is**  
[www.lgpsmembers.org.uk](http://www.lgpsmembers.org.uk)