

Introduction

This factsheet explains the implications of changing your working arrangements on your pension benefits in the Local Government Pension Scheme (LGPS). If you decide to work fewer hours or take a lower paid job, your pension benefits may be affected.

How will my benefits be affected if I change my hours?

Your annual pension under the **Career Average Revalued Earnings (CARE)** scheme from 1 April 2014 is based on the actual pensionable pay that you have received during the Scheme Year (from 1 April to 31 March) and the 1/49th (or 1/98th if in the 50/50 section) accrual rate. The greater your actual pensionable pay, the greater your pension build up will be during the scheme year, but if you choose to work fewer hours, your actual pensionable pay will be less, which means your pension build up will be less.

If you became a member on or before 31 March 2014, any current change in your working hours will NOT affect the benefits that you have built up to 31 March 2014 i.e. your **Final Salary benefits**. When you retire, these benefits will be based on your full time equivalent pensionable pay (excluding any non-contractual overtime).

Example

Sian currently works full time and contributes under the **Main section** (1/49th) of the scheme. She is considering a reduction in her working hours to 29.60 per week (4 days a week). Her current full time salary is £18,000, which would then reduce to £14,400 if she was to lower her hours. If this were to happen, Sian's pension build up will be affected as follows.

CARE pension credited during the Scheme Year as a full time member:

$1/49\text{th} \times \text{£}18,000 = \text{£}367.35$ annual pension

CARE pension credited during the Scheme Year if working 29.60 hours per week (4 days per week). ($29.60 / 37.00 \times \text{£}18,000 = \text{£}14,400$)

$1/49\text{th} \times \text{£}14,400 = \text{£}293.88$ annual pension

$\text{£}367.35 - \text{£}293.88 = \text{£}73.47$ difference in annual pension build up for Scheme Year

What happens if my pay is reduced or restricted?

If you became a member on or before 31 March 2014, you will have the option to base your **Final Salary benefits** on any one of the last three years' pensionable pay (if higher than the last year), or you may elect for an average of any 3 consecutive years' pay within the last 13 years of employment (ending 31st March). However, the pension that you build up from 1 April 2014 under the CARE scheme, will be less as a result of any reduction / restriction in your pensionable pay.

What happens if I choose to take a lower paid job?

The pension that you have built up against your former employment will be automatically aggregated with your active employment, unless you make an election to retain separate within 12 months.

When moving to a lower paid job, you will build up less pension from the day that you start your new employment, as your pension build thereafter will be based on your new pensionable pay. It will also have an impact on any possible ill-health enhancement awarded and the death grant payable in the event of your death.

What other benefits will be affected?

If you retire through permanent ill health, you may receive an enhancement depending on your degree of illness, which is based on your **Assumed Pensionable Pay (APP)*** at your date of leaving. By voluntarily reducing your working hours, any ill health enhancement will be proportionately less as a result. For further information about the ill health process, please refer to the Ill Health factsheet.

If you die as an active member of the scheme, a lump sum death grant of **3 times your APP¹** will be paid in accordance with your Death Grant Expression of Wish, or in the absence of an expression of wish, to your Estate. If part time, your APP will be proportionately less, which means your death grant will also be less. If you wish to increase your Life Cover, please contact the Pensions Fund.

¹an average of the pensionable pay you received within the **3 complete months** (or 12 weeks if weekly paid) prior to your date of leaving / date of death; up rated and expressed as an annual amount.

Please Note

If you became a member of the scheme on or before 31 March 2012 and as at 1 April 2012 you were age 55 or over (having NOT had a continuous break in active membership of a Public Service Pension Scheme of more than 5 years (after 31 March 2012) and NOT drawn any benefits in the LGPS before your protected Normal Pension Age), your benefits when you retire will be assessed in order to ensure that they are at **least equal** to that which you would have received had the LGPS not changed on 1 April 2014.

Further Information

This factsheet gives general guidance only. For further information, please contact:

Tel: **029 2087 2334**

Email: pensions@cardiff.gov.uk



**Changing your
Working Arrangements**