

Reducing Your Working Hours



WARWICKSHIRE

pension fund

Local Government Pension Scheme
(LGPS) in England and Wales

June 2010 Edition



Reducing your working hours

This booklet explains how reducing your working hours will affect your retirement benefits under the Local Government Pension Scheme.

It does not cover circumstances where your grade or hourly rate is reduced as a result of you taking up a new post. If you would like more information on how this will affect your pension benefits, contact Treasury & Pensions for a copy of our information booklet 'Protection of retirement benefits for employees receiving a reduced salary'. This booklet is also available on our website.

Under the rules of the pension scheme, your benefits when you retire are based on:

- your final pay; and
- your scheme membership

Your final pay is the pay on which you have paid pension contributions (normally) during your last 12 months of service. If you work part-time then your final pay is the full-time equivalent pay for that job.

Your scheme membership is the length of time you have paid into the pension scheme. If you work part-time then your scheme membership is scaled down to reflect your working hours. If you take up a post working a reduced number of hours each week, your membership will be reduced to take account of the reduction in hours that you work. You will of course pay contributions into the scheme based on your reduced pay. The assessment of which band of contribution you pay is based on your full-time equivalent pay.

Please note that, unlike some other pension schemes, the Local Government Pension Scheme does not allow you to change to part-time work but continue to pay pension contributions as though you were working full-time.

How your scheme membership will change

If you reduce your working hours, we will adjust your membership as shown in the following example:

A member joining the pension scheme on 1 April 2008 and working full-time up until the age of 65 which is on 31 March 2018. The benefits will be as follows:

Scheme membership (1/4/2008 to 31/3/2018) 10 years. Final pay £12,000

Retirement pension:
10 years x £12,000 = £2,000 a year
60

However, if the member reduces their hours to 18.5 hours a week for the final two years of employment, their pension benefits will be as follows.

Scheme membership (1/4/2008 to 31/3/2016) 8 years

Scheme membership (1/4/2016 to 31/03/2018) 2 years x 18.5/37 hrs =
1 year

Total scheme membership = 9 years. Final pay £12,000

Retirement pension:
9 years x £12,000 = £1,800 a year
60

The final pay that was used to work out benefits in the second example is the same as in the first example. This is because whenever benefits are worked out for part-time employees, scheme membership is reduced but pay is always the full-time equivalent. This helps to make sure that part-time employees receive fair and equal treatment.

If you work in a school, have a term-time job or opt to work term-time, the weeks worked will be taken into consideration when calculating your retirement benefits as shown in the example below:

A member joining the pension scheme on 1 April 2008 and working full-time up until the age of 65 which is on 31 March 2018. The benefits will be as follows:

Scheme membership (1/4/2008 to 31/3/2018) 10 years. Final pay
£12,000

$$\frac{10 \text{ years} \times \pounds 12,000}{60} = \pounds 2,000 \text{ a year}$$

However, if the member opts to work term-time only, still working 37 hours a week but now working for only 44 weeks of the year for the final two years of employment, their pension benefits will be as follows.

Scheme membership (1/4/2008 to 31/3/2016) 8 years

Scheme membership (1/4/2016 to 31/3/2018) 2 years working 44 weeks.

To calculate the service in the scheme the average hours worked are determined by averaging the hours worked over the 44 week period:

$$\frac{37 \times 44}{52} = 31.31 \text{ (average weekly hours worked)}$$

This will then equate as a proportion of the calendar period:

$$\frac{2 \text{ years} \times 31.31}{37} = 1 \text{ year } 253 \text{ days}$$

Retirement pension:

$$\frac{9 \text{ years and } 253 \text{ days} \times \pounds 12,000}{60} = \pounds 1938.63$$

For employees working in schools where they have to work term-time, the service accrued and pay used is slightly different. The member accrues full service but the pay is adjusted to reflect the full-time pay for the period of work. Therefore, for a full-time, term-time employee at a school, the adjusted pay is:

$$\frac{\pounds 12,000 \times 44}{52} = \pounds 10,153.85$$

The service is two years (if the member works part-time this will be proportioned). Therefore, the benefits payable are:

$$\frac{2}{60} \times \pounds 10,153.85 = \pounds 338.46$$

How your ill-health enhancement will change

If you retire through permanent ill-health and receive an ill-health enhancement to your pension benefits, these enhancements will also be reduced to take account of the fact that you are working part-time.

If however your employer determines that your hours are reduced because of your ill-health condition any enhancements payable would be based on your hours prior to this reduction.

How your death in service will change

If you die before you retire, the scheme pays a lump sum death grant equal to three times your final pay to the person or persons you have nominated. In the case of part-time employees, the final pay figure used is the actual pay you receive and not the full-time equivalent. So if you reduce your working hours, this lump sum benefit will also be reduced.

Redundancy Pay

Although redundancy pay is not related to pension scheme membership, it is based on:

- your length of service; and
- your pay on the date you leave or are served with notice of your redundancy

This means that if you reduce your working hours and receive less pay, this will also affect your redundancy pay.

Summary

Changing your working hours will affect your retirement benefits under the Local Government Pension Scheme. As a general rule, the benefits you have earned before changing your hours will be protected, so that only benefits earned after the change are reduced.

More information

For more information or if you have a problem or question about your LGPS membership or benefits, please contact:

Treasury & Pensions
Warwickshire County Council
PO Box 3
Shire Hall
Warwick
CV34 4RH
Email: pensions@warwickshire.gov.uk
Website: www.warwickshire.gov.uk/pensions
Telephone: (01926) 414166

The national web site for members of the LGPS can be found at

www.lgps.org.uk

Disclaimer

The information in this leaflet applies to individuals who were contributing members of the Local Government Pension Scheme on 1 April 2008, or who have since joined. The leaflet was up-to-date at the time of publication in June 2010. This leaflet is for general use and cannot cover every personal circumstance nor does it cover specific protected rights that apply to a very limited number of employees. In the event of any dispute over your pension benefits, the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

Whichever choice you make in the future, it is recommended that members seek independent financial advice before finally making a decision.

