

## Factsheet 6 change of hours



This fact sheet explains how changing your contractual 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.

### How are my benefits calculated?

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

- Your final pay and
- Your period of membership

Your final pay is the pay on which you have paid pension contributions during your last 12 months of membership. To work out your pension benefits fairly, for part-time workers we use the full-time equivalent of your pensionable earnings.

Your period of membership is the total period of scheme membership taken into account when working out your pension.

### How does changing my hours effect my benefits?

Your pension record changes each time you increase or reduce your working hours. For example, if you take up a post working a reduced number of hours each week, your membership will be reduced to take account of the period during which you work part time and therefore pay lower contributions into the scheme.

### How does my period of membership change?

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

Mrs A joined the pension scheme on 1 April 1984 and is now working out the benefits she will receive when she retires at the age of 65 on 31 March 2008. She has always worked full-time, so her pension benefits will be as follows.

#### **Period of membership**

$(1/4/84 \text{ to } 31/3/08) = 24 \text{ yrs}$

**Final pay** = £10,000

#### **Retirement pension (taxable):**

$£10,000 \times 24 \text{ years} \times 1/80 = £3,000 \text{ a year}$

#### **Lump sum benefit:**

$£10,000 \times 24 \text{ years} \times 3/80 = £9,000$

However, if Mrs A reduces her hours to 20 a week for the final two years of her pensionable service, her benefits will be as follows.

**Period of Membership:**

(1/4/84 to 31/3/06) = 22 years 00 days

**Period of Membership:**

(1/4/06 to 31/03/08) = ( 2 years x 20 hours/35 hours) = 1 year 30 days

**Total membership:** 23 years 30 days

**Final pay (full time equivalent)** = £10,000

**Retirement pension:**

$£10,000 \times 23\text{yrs } 30 \text{ days} \times 1/80 = £2,885.27$  a year

**Lump sum benefit:**

$£10,000 \times 23\text{yrs } 30 \text{ days} \times 3/80 = £8,655.82$

The final pay used to calculate Mrs A's benefits in the second example is the same as in the first example. This is because whenever we work out benefits for part-time employees, membership is reduced but pay is always the full-time equivalent. This ensures that part-time employees receive fair and equal treatment.

Note: membership from 1st April 2008 will result in benefits based on 60ths with no lump sum, i.e. pension equals membership x final pay x 1/60

**If I work part-time, will any future ill-health enhancement change?**

If you retire through permanent ill-health and receive an ill-health enhancement to your pension benefits, this will be reduced to take into account your part-time hours at the date of your retirement.

**How will any death in service benefits change?**

If you die before you retire, the scheme pays a lump sum benefit equal to three times your pensionable pay. In this case, 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. Your LGPS administering authority retain complete discretion over which eligible beneficiary the benefit is paid to, although full consideration will be taken of the wishes expressed on your nomination form.

**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 changed are reduced.

Please note: this fact sheet is intended as a broad guide to your benefits in the Local Government Pension Scheme. It does not seek to cater for every different circumstance and no decisions should be taken based on its contents. You are strongly advised to consult our website and/or contact us for more detailed and individual information before taking any action in relation to your pension. Nothing in this fact sheet overrides the regulations which govern the LGPS and which are subject to amendment from time to time.