

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL PENSION FUND

REDUCTIONS IN PENSIONABLE PAY FACTSHEET

In April 2014 the Local Government Pension Scheme changed from a Final Salary scheme to a Career Average Re-valued Earnings (CARE) Scheme however, benefits built up in the scheme before April 2014 will still keep the final salary link. This means that your pension, based on your membership built up to 31 March 2014 will still be calculated using the "final pay" definition in the Final Salary scheme.

Final Pay can be

- your final year of membership or,
- one of the previous two years if higher or,
- the average of the best three consecutive years ending with 31st March from the last 13 years. This definition can only be used if your pay has been reduced or restricted within 10 years of your retirement date (or the date you leave the scheme) and only if the reduction is because of certain circumstances.

The circumstances under which a reduction in pensionable pay can be taken into consideration are:

- because the Scheme member chooses to be employed by the same employer at a lower grade or responsibility.
- for the purpose of achieving equal pay in relation to other employees at the same employer.
- as a result of a job evaluation exercise.
- because of a contractual change affecting pensionable emoluments.
- because of a restriction to future pay increases that may adversely affect final pay.

These circumstances only apply to reductions in pay after April 2008, other rules apply for reductions in pay before April 2008.

A reduction in pensionable pay can not be considered if it -

- was before the beginning of the period of ten years ending with your last day as an active member,
- immediately follows a period during which a temporary post at a higher rate of pay was held,
- is because the you chose to reduce your working hours or moved to a lower grade so that you could take flexible retirement

If, after calculating the average of the best three consecutive years ending with 31st March from the last 13 years, your pay in your final year of membership or one of the previous two is higher then the Fund will automatically use the highest final pay and any election made to use earlier years will be disregarded.



Example of Reduction in Pay

Bob's pay was reduced in April 2014 following a Job Evaluation Exercise and he retires in September 2019. When he retires his salary in his final year of membership and the previous two will be calculated. If his salary was higher before the Job Evaluation he can choose to go back and take these into consideration. As Bob retired in September 2019 he is within 10 years of the reduction in pay so the following years can be taken into account:

	Pay	
1 April - 31 March 2019	£16,300	
1 April - 31 March 2018	£16,100	
1 April - 31 March 2017	£16,000	
1 April - 31 March 2016	£15,750	
1 April - 31 March 2015	£15,500	
1 April - 31 March 2014	£17,600	} these are the three highest consecutive year so the average is $\frac{(\pounds17,600 + \pounds17,400 + \pounds17,200)}{3} = \pounds17,400$
1 April - 31 March 2013	£17,400	
1 April - 31 March 2012	£17,200	
1 April - 31 March 2011	£17,000	
1 April - 31 March 2010	£16,000	
1 April - 31 March 2009	£15,600	
1 April - 31 March 2008	£15,250	
1 April - 31 March 2007	£15,000	

This pay is increased with cost of living increases from April 2014.

Bob would have to leave the scheme before April 2024 to be able to use this method of calculating his final pay. If he remained employed, and in the LGPS after April 2024, he would not be able to use this method and his final pay would be taken as his last year, or highest of the previous two (unless there had been another reduction in pay).

Reductions in Pay before 2008

Some members who had a permanent reduction in pay before April 2008 were issued with a Certificate of Protection of pension benefits. These can still be used, and the final pay will be calculated as either the best year's pay in the last five years prior to leaving or the average of the best three consecutive years in the last thirteen. The certificate is only valid for 10 years following the reduction in pay.

If you wish to have a salary before a reduction due to one of the prescribed circumstances taken into account in the calculation of your final pay you must let the Rhondda Cynon Taff Pension Scheme know, in writing by completing that attached form, at least one month before the date that you are to leave the scheme.

If you have any queries please contact the Pensions Department

Helpdesk 01443 680611

Email pensions@rctcbc.gov.uk

This document is also available in Welsh.

ELECTION TO HAVE FINAL PAY CALCULATED AS BEST OF THE LAST THIRTEEN YEARS

PERSONAL DETAILS			
Title		Full Name	
Home Address			
		Post Code	
NI Number		Date of Birth	
Employer			
Pay Ref No		Post No	
Job Title			

Date of pay reduction/restriction	
Please indicate why your pay was reduced	
	because I chose to be employed by the same employer at a lower grade or responsibility.
	for the purpose of achieving equal pay in relation to other employees at the same employer.
	as a result of a job evaluation exercise.
	because of a contractual change affecting pensionable emoluments.
	because of a restriction to future pay increases that may adversely affect final pay.

I declare that my reduction in pay did not follow a higher paid temporary post or follow a reduction in hours or grade for the purposes of flexible retirement.

I declare that the information I have given above is correct and understand that if my final pay in the last year of membership, or the previous two, is higher then the RCT Pension Fund will use that and this election will be disregarded.

Signature _____

Date _____