



Changing Your Working Arrangements

Introduction

If you change your working arrangements, it may impact 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 your pension be affected if you change your 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 (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 pension that you have built up to 31 March 2014, which are 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

Emily 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 under the CARE Scheme

What happens if your 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 because of any reduction or restriction in your pensionable pay.

What happens if you 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 benefits 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 up 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)**¹ 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 Pension 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.*

Where can you find more Information?

This factsheet gives general guidance only, if you need further information, please contact the Gwynedd Pension Fund:

Tel: 01286 679982

Email: pensions@gwynedd.llyw.cymru

Disclaimer

The Pension Fund is unable to provide any financial advice. After reading this factsheet, you may want to seek independent financial advice to make an informed decision.

These bodies may be able to help you:

Unbiased: <https://unbiased.co.uk/>

Money Helper: [Choosing a financial adviser \(moneyhelper.org.uk\)](http://moneyhelper.org.uk)