



Reduction or Restriction in Pensionable Pay

This leaflet is for members of the Local Government Pension Scheme whose pensionable pay in a continuous period of employment with the same employer is reduced or restricted and have final salary benefits built up to 31 March 2014.





Reduction or restriction in pensionable pay

The Local Government Pension Scheme (LGPS) changed on the 1 April 2014 from a final salary scheme to be a career average revalued earnings (CARE) scheme.

However, the final salary benefits built up to 31 March 2014 are still calculated on the final pay at the date of leaving. If your pay is reduced or increases to your pay are restricted with the same employer because you downgrade or move to a job with less responsibility, or as a result of a job evaluation/equal pay exercise, or because of a change to what is specified as pensionable pay in your contract (using the definition of pensionable pay before 1 April 2014), or is restricted for some other reason, your final salary benefits may be affected.

The reductions or restrictions to pensionable pay apply to where the change has occurred after 1 April 2008.

Final pay

The pension benefits up to 31 March 2014 are based on the period of membership accrued to that date and final pay.

Final pay is usually the pay you received in your final year of scheme membership and you have paid contributions on. This does not include payments for non-contractual overtime and, if you are part-time, it is the pay you would have received if you had been working full-time.



For further information regarding what is used for final pay, please see the section “If You Joined the LGPS before 1 April 2014” of [A Guide to the Local Government Pension Scheme For Employees in England and Wales](#).

If the year of leaving is the best year

The final pay received in the last year is normally the highest.

For example, Rose is leaving on the 31 May 2020 and her final pay in her last year of scheme membership is the highest. The final pay used to calculate her pre-1 April 2014 pension benefits is the pay in respect of the period 1 June 2019 to 31 May 2020.



Best of the last three years

However, if a final pay from one of the previous two years is higher, your benefits will be calculated using this figure. This is known as the ‘best of the last three years’. Mike is leaving on the 31 July 2020 and his pay was higher in the year before leaving.

Pay period which can be used	Final pay
1 August 2019 to 31 July 2020	£22,980
1 August 2018 to 31 July 2019	£23,450
1 August 2017 to 31 July 2018	£22,750



A final pay of £23,450 would be used to calculate Mike’s pre-1 April 2014 pension benefits. The benefits would also be increased in line with the cost of living applicable from 1 August 2019 to the date of payment.

Further protections

If your pay has been reduced or restricted within ten years of leaving the scheme or retiring, the LGPS rules allow you to choose your final pay to be calculated as the average of any three consecutive years' pay ending on 31 March within the last thirteen years. This protection only applies if you have been continuously employed by the same employer who you worked for when the reduction or restriction took place. This is known as the 'best three consecutive years' average'.

In order to have this option, you must notify the Fund in writing at least one month prior to you leaving or retiring

from the scheme. If the reduction or restriction in pensionable pay takes place after 1 April 2014, you can still ask to have the best three consecutive years' average pay to be used in calculating your pre-1 April 2014 pension.

You cannot make use of this option to use earlier years' pay in working out your benefits if the reduction or restriction to your pay was as a result of the loss of a temporary increase in pay, or resulted from a reduction in your grade in order to take retirement benefits on flexible retirement.

Best three consecutive years' average

Susan has had her pensionable pay reduced as a result of a job evaluation exercise, and her pensionable pay reduced from 1 April 2020.

The ten-year protection starts on 1 April 2020 and ceases on 31 March 2030.

The calculation of the final pay is made by taking three years' pensionable pay as at 31 March and dividing it by three.

See the table shown on the next page.



Year ending	Pensionable pay	Three-year average
1 April 2029 to 31 March 2030	£21,850	$21,250 + 21,550 + 21,850$ $= 64,650/3 = \text{£}21,550$
1 April 2028 to 31 March 2029	£21,550	$20,950 + 21,250 + 21,550$ $= 63,750/3 = \text{£}21,250$
1 April 2027 to 31 March 2028	£21,250	$20,650 + 20,950 + 21,250$ $= 62,850/3 = \text{£}20,950$
1 April 2026 to 31 March 2027	£20,950	$20,350 + 20,650 + 20,950$ $= 61,950/3 = \text{£}20,650$
1 April 2025 to 31 March 2026	£20,650	$20,050 + 20,350 + 20,650$ $= 61,050/3 = \text{£}20,350$
1 April 2024 to 31 March 2025	£20,350	$19,750 + 20,050 + 20,350$ $= 60,150/3 = \text{£}20,050$
1 April 2023 to 31 March 2024	£20,050	$19,450 + 19,750 + 20,050$ $= 59,250/3 = \text{£}19,750$
1 April 2022 to 31 March 2023	£19,750	$19,150 + 19,450 + 19,750$ $= 58,350/3 = \text{£}19,450$
1 April 2021 to 31 March 2022	£19,450	$23,450 + 19,150 + 19,450$ $= 62,050/3 = \text{£}20,683$
1 April 2020 to 31 March 2021	£19,150	$22,750 + 23,450 + 19,150$ $= 65,350/3 = \text{£}21,783$
1 April 2019 to 31 March 2020	£23,450	$22,350 + 22,750 + 23,450$ $= 68,550/3 = \text{£}22,850$
1 April 2018 to 31 March 2019	£22,750	
1 April 2017 to 31 March 2018	£22,350	

In Susan's case, her final pay is £22,850 and the pension benefits are increased in line with cost of living increases from 1 April 2020. The final pay figure of £22,850 will only be used to calculate Susan's pre-1 April 2014 pension benefits. Since 1 April 2014 contributions paid and pension built up each year has been based on the pensionable pay received in that scheme year.



What will happen if Susan retires or leaves after 31 March 2030?

As Susan will be outside of the ten-year protection period, her final pay will not be protected. Susan is years away from her normal retirement age; will the protection be of any use to her?

It may if Susan has to retire early on ill-health grounds or redundancy. Or if Susan decides to leave her employment within ten years and becomes entitled to deferred benefits, the deferred benefits will be based on the higher final pay.

Is there anything that Susan can do?

If Susan has remained continuously employed by the same employer and decides to remain working after 31 March 2030, she may wish to consider opting out of the scheme before March 2030. There is no need for Susan to make a decision about opting out until nearer March 2030.

Things to consider before opting out

Susan will need to consider very carefully all the implications of opting out and becoming entitled to deferred pension benefits.

If Susan opts out of the scheme and then rejoins the scheme, her future pension benefits will only be based on the latest period of scheme membership. If she was then made redundant, only the benefits in respect of the latest period of scheme membership would be payable.

If Susan opts out of the scheme and is entitled to deferred benefits, and she then rejoins the scheme the two periods of membership cannot be put together. This means that any future pay awards or promotions will not be used in the calculation of her final pay for her deferred benefits.

Susan may wish to take financial advice before deciding to opt out. For help in choosing an independent financial adviser, please visit the [Money Advice Service](#) website.

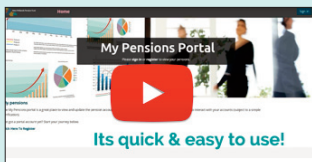
If Susan opted out and did not rejoin the scheme but then died, the lump sum death grant would not be based on three times the assumed pensionable pay but five times her deferred pension.



For more information regarding opting out of the scheme please visit <https://www.wmpfonline.com/optingout>



To find more information about your pension benefits and the Local Government Pension Scheme, please view our short video at <http://www.wmpfonline.com/members>



For help and assistance to register for a pensions portal account, please visit <http://www.wmpfonline.com/guidancenotes>

Contact details



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Pensions Portal: www.wmpfonline.com/pensionsportal

Lines open during the following times:
8:30am to 5.00pm Monday - Thursday
8:30am to 4.30pm Friday.
Calls may be monitored for training purposes.