

Pensions

Pensions are complicated without the added complexity of Single Status.

To assist managers the Pension Section has provided Frequently Asked Questions regarding pensions and Single Status.

Should your colleagues require more information and examples, please direct them to the pensions part of the web site where there is a Factsheet – “Reductions in Pensionable Pay”.

http://www.derbyshire.gov.uk/working_for_us/pensions/scheme_members/factsheets_leaflets/

Will pensions be affected by Single Status?

Pension benefits may be reduced if an employee receives a reduction in pay because of Single Status. They will automatically increase if an employee’s pensionable pay goes up because of Single Status.

Is there protection for pension benefits if an employee has a reduction in pay?

Yes. Single Status comes into affect from 1 April 2010. Where this brings about a lower rate of pay for a job, the employee will have three years’ basic pay protection to 31 March 2013. Reductions in pay will then start from 1 April 2013.

Please note that pensionable allowances and enhancements are not subject to pay protection from 1 April 2010.

Normally pension benefits are based on the best year’s pay in the last three years up to the date of retirement or leaving the Pension Scheme. However, we’re expecting the Scheme to be changed so that for a reduction in pensionable pay due to Single Status, the protection for pension purposes would last for up to 10 years.

The calculation of the final pay is based on the “average of the highest consecutive 3 years”, so full protection only lasts for 7 years from the date of the reduction in pay and ends on 31 March 2020. However, there is some protection in years 8 and 9.

This is a complicated calculation and you can find out more from the examples on the

Factsheet “Reductions in Pensionable Pay”

What happens if an employee leaves the Pension Scheme before 31 March 2020?

If an employee retires, dies in service or simply leaves the Scheme and takes preserved benefits before 31 March 2020 their final pay is automatically protected.

What happens if an employees pay reduces from 1 April 2010 as a result of a drop in pensionable allowances and/or enhancements?

An employee’s pensionable pay for the purpose of calculating pension benefits will be fully protected until March 2017.

Is there anything an employee can do to protect their pension benefits where their date of retirement is after 31 March 2020?

Yes. An employee can opt out of the Scheme on 31 March 2020 and take preserved benefits to retain the benefit of the higher pay. Before doing this they need to consider the potential disadvantages. These are given on the Factsheet “Reductions in Pensionable Pay”

If an employee is only opting out on 31 March 2020 to protect their benefits it is important to make sure they are aware that they need to opt back in on 1 April 2020 to maintain membership of the Pension Scheme.

If an employee’s pensionable pay reduces because of a reduction in pensionable allowances or enhancements they need not make a decision about opting out until March 2017.

Do employees need to do anything now?

No, if pensionable pay has increased the pension benefits will automatically rise.

However, if an employee’s basic pay reduces in 2013, there is no need for them to do anything until 31 March 2020. At this point they will need to carefully consider whether to opt out to protect benefits up to that point, based on their past higher pay.

Can employees find out more information?

Yes, employees should read the Single Status “What you need to know booklet”.

In addition, there’s more information on the pension pages of the Council’s web site.

The Factsheet – “Reductions in Pensionable Pay”, gives examples of how the pay protection works for pensions. There is also a Pensions “Frequently Asked Questions Arising from Single Status” factsheet.

To view the Factsheets please click on the following link

http://www.derbyshire.gov.uk/working_for_us/pensions/scheme_members/factsheets_leaflets/

How much help on pensions can we give employees?

It is important that you do not influence employees in their decisions over pension matters. Whilst the County Council cannot give financial advice, it does provide helpful information on the Pension Scheme to enable employees to make an informed choice.