

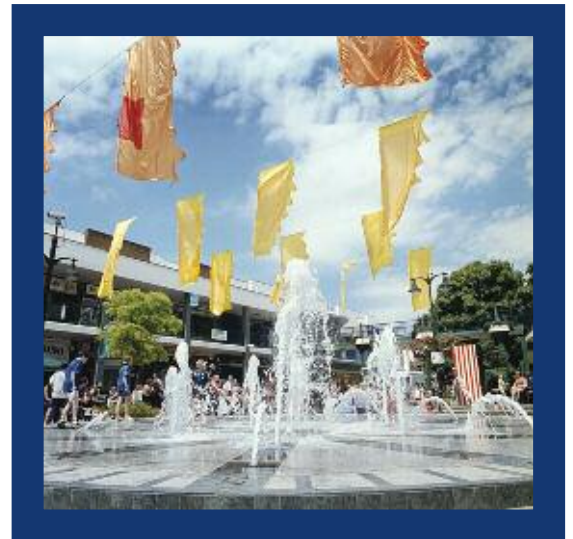
# Local Government Pension Scheme



THE ROYAL COUNTY OF  
**BERKSHIRE**  
PENSION FUND



## Impact of working part-time



## What qualifies as part-time employment?

For the purposes of this guide a part-time employee is anyone whose contractual hours of work are less than 37 per week for 52 weeks of the year. A part-time employee may also be someone who works 37 hours per week but for less than 52 weeks of the year, such as an employee of a school who works during term-time only.

## How does part-time employment affect my membership of the LGPS?

The LGPS is a defined benefit, final salary pension scheme. As such, benefits are calculated in line with statutory regulations and based on how long you have been a member of the Scheme and the final pay you receive at the time you leave the Scheme. Benefits are not based on the contributions that you and your employer pay into the Scheme (as they would be if you belonged to a 'money purchase' scheme).

The longer you are a member of the Scheme, and the greater your final pay, the higher your benefits will be when you retire or leave the Scheme. Scheme membership builds up throughout your local government employment and will reflect periods of full and part-time employment that you may have. This is best explained by way of an example. Take a person who works full-time for 20 years in local government and contributes to the LGPS throughout that time. His membership will be 20 years. If, however, the same person worked at 50% of full-time for those 20 years, his membership will be calculated as being 10 years.

## How does part-time employment affect my final pay?

Whereas membership is built up at its actual part-time length, the final pay used to calculate your benefits is the full-time equivalent rate of pay. Therefore, if we take a look at our member with 20 years' service and a final pay of £20,000,

the benefits paid for the period of 20 years' full-time employment will be based on 20 years of membership and pay of £20,000. The benefits for the half-time employment will be based on 10 years of membership and pay of £20,000.

Because the part-time employee has paid half the contributions of the full-time employee, his membership is reduced by half.

## What happens if, as a full-time employee, I decide to reduce my hours a few years before my retirement?

Your membership built up before the date from which you decide to reduce your hours will be protected. Your membership from the date that you reduce your hours will build up at its part-time rate. For example, let us assume that you have 20 years of full-time employment by the age of 55. You decide to reduce your hours to 18.5, or half of full-time. You work until you are 65 when you retire. Your total membership will be 25 years (20 at full-time + 10 at half-time).

Providing that, at the point you decided to reduce your hours, your full-time equivalent pay remained the same (or increased), your final pay at retirement will be the same as if you had continued your full-time employment until the age of 65. If your full-time equivalent pay reduces, you can elect to defer your benefits built up to that date so that the accrued benefits are calculated on your higher rate of pay. You can continue to contribute to the Scheme and build up further benefits.

For example, at the age of 55 you have 20 years' full-time membership and at that time your final pay is calculated as being £20,000. You decide to reduce your hours to 50% of full-time but at that point you also reduce your grade so that your full-time equivalent pay goes down from £20,000 to £18,000.

In this example your benefits to age 55 will be based on 20 years of membership and a final pay of £20,000. Your benefits from the age of 55 will be based on membership of five years and a final pay of £18,000. If you chose not to defer your benefits at the point your pay decreased, all 25 years of membership would provide benefits based on £18,000. One thing to consider though is that deferred benefits increase in line with inflation, which normally is not as high as pay increases.

Also, since 1 April 2008 it has been possible for a Scheme member to look back over their last 10 years of pay from the point that they leave the Scheme and choose a final pay figure for the purpose of calculating pension benefits. This is calculated by taking the average of any three consecutive years' pay during that 10-year period to 31 March in each case, thereby providing further protection.



### **Is it possible for me to draw my pension benefits and continue working?**

Since April 2006 the LGPS Regulations have allowed employers the discretion to release Scheme members' benefits whilst keeping them employed on reduced hours or at a lower grade. Once you reach the age of 55 (50 if you were a member on 31 March 2008 and will be 50 before 1 April 2010), your employer can agree to the release of all or part of your benefits thereby avoiding the perceived 'cliff-edge' that many face at retirement. Benefits released early may be subject to reduction if you do not satisfy certain conditions of the Scheme, although your employer also has discretion to waive any reduction that may be applied.

### **Can I continue to pay contributions on my full-time equivalent pay if I work part-time?**

No. You can only pay standard contributions on the actual pay you receive. There are ways in which you can increase your pension benefits by paying additional contributions but these would be deducted from your part-time pay. The options you have are to pay Additional Regular Contributions into the LGPS or pay Additional Voluntary Contributions. You can even pay into your own personal pension or a stakeholder pension scheme. If you are interested in knowing more about these options a guide to 'Increasing your pension benefits' is available from the Pension Team.

### **What about my death in service cover if I go part-time?**

As a member of the LGPS there is a lump sum death grant payable in the event of your death. This is equal to three times your annual pensionable pay. For part-time employees this is the only occasion where the full-time equivalent pay is not used for benefit calculation purposes. You can state as to whom you would like your death grant to be paid by completing an expression of wish form which can be printed from the Royal County of Berkshire Pension Fund website ([www.berkshirepensions.org.uk](http://www.berkshirepensions.org.uk)) or you can ask the Pension Team to send you a copy.

### **Are any other benefits affected by going part-time?**

If you reduce your hours, perhaps because of poor health, you need to consider the impact that this could have of any future ill-health retirement. If your employer agrees to your early retirement because of permanent ill health, any enhanced membership granted will reflect the part-time nature of your job.

More detailed information about the Scheme is available from the Pension Team:

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LGS8(0310)