

Reducing Your Working Hours

This factsheet explains how reducing your working hours will affect your retirement benefits under the Local Government Pension Scheme. It does not cover circumstances where your rate of pay is reduced.

How benefits are calculated

Final salary benefits

If you built up membership before 1 April 2014, we calculate your benefits for that membership using -

- Your final pay, and
- The length of your pre 1 April 2014 membership

Your 'final pay' is normally the pensionable pay you earned in the year up to leaving. If you worked part time, we use the full-time equivalent.

For periods prior to 1 April 2014 during which you worked part-time, you built up membership during that time at a slower rate than a full time member.

Therefore, any reduction in your working hours after 31 March 2014, will not normally affect your benefits in respect of any membership built up before 1 April 2014.

If you pay into the East Sussex Pension Fund and the number of weeks for which you are paid reduces, please contact us.

CARE benefits

For membership in the scheme from 1 April 2014, we calculate your benefits for each year from that date as follows:

Pensionable pay you received in that year (1 April to 31 March)/49*

*for any periods during which you are in the 50/50 section, we use 98 instead of 49.

At the end of each year, we adjust the pension amounts each year by inflation. On leaving, your pension for membership from 1 April 2014 is the sum of those pensions (including inflation).

This does not apply to the pension benefits for membership that you built up before 1 April 2014, as these are based on your eventual final pay at leaving.

So, where you reduce your hours, you will build up pension benefits afterwards at a slower rate. This is because you will be receiving less pensionable pay.

Example

In the year from 1 April 2021 to 31 March 2022, Mrs Jones worked 37 hours a week (full time) and received £20,000 pensionable pay. We calculate the annual pension she built up for that year as follows:

$$£20,000/49 = £408.16$$

Mrs Jones decides to reduce her hours to 18.5 hours per week for the following year. In the year from 1 April 2022 to 31 March 2023, she received £10,000 pensionable pay. We calculate the annual pension she built up for that year as follows:

$$£10,000/49 = £204.08$$

As you can see, she built up less pension for the 22/23 scheme year than she did for the 21/22 scheme year.

Other things to consider

- If your employer terminates your employment and awards you ill health retirement, you will receive immediate payment of your benefits. In some instances, we will enhance the pension benefits payable. If you reduce your hours, the benefit enhancement will be less. There is, however, a protection against this where the ill health condition that contributed to the retirement also contributed to the reduction in hours.
- If you die as a contributing member of the scheme, we will pay a death grant which is generally equal to three times your pay. Where you reduce your hours, the amount of death grant payable will be less. Additionally, we will also pay pensions to any surviving spouse, civil partner, or cohabiting partner (provided the relationship met certain conditions at death and you paid in after 31 March 2008) and to any eligible children. We will enhance the rate of those survivor pensions. Any reduction in hours will reduce the potential enhancement. There is, however, a protection against this where the condition that contributed to the death also contributed to the reduction in hours.
- If you are paying for added years, we will need to recalculate the amount of membership you are buying when hours are reduced.
- As the rate at which you pay your contributions is based on your annual pensionable pay, your contribution rate may go down following a reduction in hours. However, depending on your employer's policy, you may need to wait for the following April for your rate to be reviewed.

Contact us

Write: Pension Services. East Sussex County Council, County Hall, St Anne's Crescent, Lewes, East Sussex, BN7 1UE

Email: pensions@eastsussex.gov.uk

Phone: 0300 200 1022

Disclaimer: This factsheet is for general use and cannot cover every personal circumstance as its contents are based on our understanding of the legislation and events at this time (May 2023). In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this factsheet does not confer any contractual or statutory rights and is provided for information purposes only.