



Pension impact of a non consolidated pay award

If you receive a 'non-consolidated award' meaning your base salary does not increase, how it impacts on your pension depends on whether you are an **Existing Member** or a **New Member** of the Fund:

- **Existing Member** — You are an **Existing Member** if you joined the Fund on 1 April 1989 - If your base salary stays the same your **Pensionable Salary** and **Contributory Pensionable Salary** do not change.
- **New Member** — You are a **New Member** if you joined the Fund after 1 April 1989 - If your base salary stays the same there will be some changes in how we work out your pension benefits which are explained below.

The terms in bold have a specific meaning under the Rules of the TfL Pension Fund, a glossary explaining these terms is included at the end of this help sheet.

New Members

If you have reached age 65 and chosen to stop contributing to the Fund, then a 'non consolidated' pay award will not impact the way we calculate your pension under the Fund.

Your pension built up to date is protected, but if future general or promotional increases in your base salary would give you a higher pension, then you would receive the higher amount.

How it works: protection under the Rules of the Fund

Every year on 1st January we work out your **Contributory Pensionable Salary**. As the **Lower Earnings Limit** is variable, your **Contributory Pensionable Salary** could potentially be lower one year than it was on 1st January the previous year.

Where your base salary stays the same and your **Contributory Pensionable Salary** reduces, we work out your pension as follows:

- We work out your pension to the date of the reduction based on your **Contributory Pensionable Salary** over the 12 months to the date of the reduction. We then increase this in line with pension increases granted by the Fund between the date of reduction and the date you leave or retire.
- We then add to this your pension for pensionable service after the date of the reduction based on your **Pensionable Salary** over the 12 months to the date you leave or retire.
- We always work out your benefits based on all of your pensionable service to check whether they would be higher if based on your **Pensionable Salary** at the point you leave or retire.

The contributions that you pay into the Fund are based on your **Contributory Pensionable Salary** – so if this reduces then your pension contributions will also reduce.



Existing Members

If you have reached age 60 or age 65 and chosen to stop contributing to the Fund, then a 'non consolidated' pay award will not impact the way we calculate your pension under the Fund.

If you are still contributing to the Fund, your pension built up to date is not affected, however as there is no reduction in your **Contributory Pensionable Salary**, the increases that apply for '**New Members**' do not apply to your accrued pension.

The options available to an **Existing Member** are:

1. Remain a contributing member of the Fund as an Existing Member

Benefits will continue to be calculated in the same way based on pensionable service and **Pensionable Salary**. You should bear in mind that as an **Existing Member**:

- Unlike **New Members** no **Lower Earnings Limit** deduction is made from salary to calculate your **Pensionable Salary**,
- You have the option to stop paying contributions at age 60 in which case your accrued pension will be increased by 8 per cent each year on top of the normal Fund increases until you decide to draw your pension
- RPI increases which apply to your pension are uncapped
- You can draw your pension on your 65th birthday while remaining in service

2. Opt out of the Fund

Benefits would be calculated at the date of opting out and be subject to increases in line with RPI, but:

- You would not accrue benefits for future service
- You would lose the option at age 60 and at age 65 to opt for the late retirement uplift (this gives increases of 8% a year on top of the standard Fund increases)
- You would lose the option to draw your pension on your 65th birthday while remaining in service, your pension would not be payable until you leave service
- If you are a 'Protected Person', you would lose protected status
- The test for claiming an ill health pension is more stringent than for an active member
- You would lose the 4 times salary death in service cover, and instead be covered for the 1 times salary under the TfL death benefit scheme (as well as any lump sum as a deferred member of the Fund).



3. Opt out of the Fund and rejoin as a New Member for future service

As for 2 above for benefits accrued as an **Existing Member**..

Your future benefits would be as a **New Member**:

- Benefits are based on a lower **Pensionable Salary** (because of the deduction for the **Lower Earnings Limit**). In future years if there is no increase in salary (but an increase in the **Lower Earnings Limit** then the salary fall protection (described on the first page of this help sheet) would be triggered for the benefits accrued as a **New Member**.
- You would need to opt out and then rejoin no later than 5 April for **Contributory Pensionable Salary** to fall from the next 1 January as the result of a non consolidated pay award
- The benefits on ill health and death in service would be at a lower level until 5 years membership are completed
- Benefits accrued as a **New Member** would not be payable until you leave service and, unless your benefits are paid on ill health grounds, could not start until you reach age 55 .

4. Opt out of the Fund and rejoin as a New Member for future service and 'link up' your benefits

In this scenario:

- Your future benefits would accrue on the lower **Pensionable Salary** (because of the deduction for the **Lower Earnings Limit**) as a **New Member**
- You transfer your **Existing Member** benefits to your current period of membership and receive a service credit
- The RPI increases on your pension would be capped at 5% and all benefits are based on the lower **Pensionable Salary**, but the service credit takes this into account so is potentially higher than actual service as an **Existing Member**
- You have the option to stop paying contributions at age 65 in which case your accrued pension will be increased by 8 per cent each year on top of the normal Fund increases until you decide to draw your pension
- Your benefits would not be payable until you leave service and, unless your benefits are paid on ill health grounds, could not start until you reach age 55
- If you are a 'Protected Person', you would lose protected status
- Full ill health and death in service cover would be achieved on completion of the 'link up' however, service for these benefits is restricted to 40 years, so the higher service credits could lead to the 40 year limit applying at an earlier age.

- **Pensionable Salary** is your basic or contractual salary and may include permanent allowances if agreed by your employer and the Trustee, but excludes overtime earnings. If you are a **New Member** this is then reduced by the **Lower Earnings Limit**
- **Assessment Date** – the last day of the pay period including the first Thursday in November
- **Contributory Pensionable Salary** is your **Pensionable Salary** at the **Assessment Date** and is effective from the following 1 January; it is the salary on which your pension contributions are based
- **Lower Earnings Limit** – the lower earnings limit for the purposes of National Insurance contributions; this is currently £5,686 a year
- **Existing Member** – you joined the Fund before 2 April 1989
- **New Member** – you joined the Fund after 1 April 1989