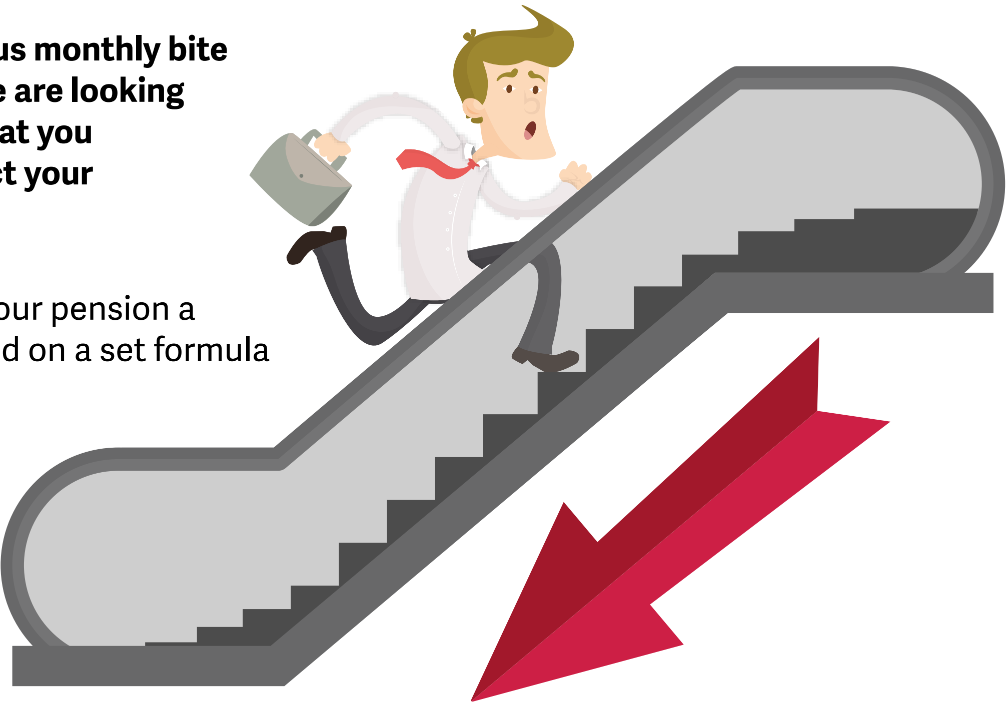
Effect of Pay Frameworks on Pensionable Pay



Following on from our previous monthly bite sized briefings, this month we are looking at how the Pay Framework that you are employed under can affect your Pensionable Salary.

What is my pensionable pay?
When you come to apply for your pension a calculation is carried out based on a set formula expressed as:

1/60 x pensionable service x pensionable salary

We explained how this works in our last bite sized briefing but, on this occasion, we want to concentrate on the Pensionable Salary component.

The TfL Pension Fund is a Final Salary scheme which means that your pensionable salary in the twelve months up to when you retire is an important element in how much your pension will be in retirement.

Your Pensionable Salary should, in most cases, be the same as your contractual salary (less the Lower Earnings Limit for New Members) that you would expect to have been increased at least in line with inflation through pay rises (and may be promotions) in the years up to when you retire.

But this isn't the case for most people employed on TfL's Pay Frameworks – Pay for Performance that covers Bands 1-3 staff or the Senior Managers Reward Framework used for Bands 4 and 5.

How does a pay framework affect that?

Your pensionable pay is has been stunted by the Pay Framework that you are employed under meaning that your pensionable pay will have been restricted because you have:

- Been awarded a below inflation pay rise
- Only been given a pay increase through non-pensionable, non-consolidated lumps sums
- Not awarded an annual uplift in pay at all.

TSSA polling, together with analysis of available information has shown that large numbers of employees are affected by these issues over many years.

What this means for your pension is that because TfL has deployed its pay frameworks to suppress pensionable salary and so reduce your end-pension

That effect will be carried through into your retirement and is compounded by the Pension Fund rules requiring the pensionable pay for New members (those who joined the scheme since 1st April 1989) to be further reduced by the Lower Earnings Limit, currently set by the Government at £6,396 a year.

Attack points

The potential changes to the TfL Pension Fund that the Government and TfL have been discussing will reduce your end pension still further and delay the time you can draw your pension.

This is despite an acknowledgement of the issue in the Independent Review of the Pension Scheme's Final Report following a detailed submission from TSSA.

In fact, unless this matter is resolved, it will add to the devaluing of members' pensions because the option to move to a CARE (Career Average Revalued Earnings) type of pension would reduce your retirement income anyway according to TfL's own figures.

Changes to the pension scheme mean you will Pay more, get less and work longer

GET INVOLVED

We'll be organising some briefings about this on Teams and there'll be opportunities to get involved in the campaign – for more information see https://bit.ly/tflpaypensionspolicies or email tfl@tssa.org.uk

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