

What about your pension if there was strike action?

Introduction

One question the Branch officers are often asked, when there's any suggestion of a strike or other industrial action, is "what would happen to my pension?" It is also an issue that management raise, in an attempt to stop people planning such action. So this factsheet is intended to spell out the position.

What is the position?

For every whole day a member is out on strike s/he will lose one day's pensionable service. The lost days would not count in any way for pension purposes.

Therefore if your accrual rate is $1/60^{\text{th}}$ then a member would effectively lose $1/365^{\text{th}}$ of a 60^{th} for each and every full strike day's action.

Example

- If a member retired after 25 years service with pensionable pay of £15,000 the pension would be $25/60^{\text{th}} \times £15,000 = £6,250$.
- If the member lost 1 day through strike action, the loss would be $£15,000 \times 1/60^{\text{th}} \times 1/365 = £0.69$ per annum.

(If your pension scheme has an accrual rate of 1/80ths then the figure would be £0.51)

As can be seen from the example, a strike of a few days would not normally have any significant effect on benefits because benefits are calculated on a daily basis. If the strike was in the last year of service however the situation could well be different in that pensionable pay could be lost.

This is because in most cases an employee's earnings for final pensionable salary purposes is their earnings in the year before retirement and hence any period of employment which does not attract a salary because of unauthorised absence will reduce pensionable earnings.

However, it is not always the case that final pensionable salary will reduce in the event of taking strike action and potentially affected members should check their position directly with their employer's payroll/Human Resource Department.

Buying Back Service lost through strike action for LGPS members

For members of the Local Government Pension Scheme (LGPS) it is possible to **buy back** the service lost, at your own cost, at a rate of 16% of the lost pay for that period.

It follows that the amount you pay is based on the method your employer adopts to deduct your pay.

It is likely that many employers will deduct pay based on $1/260^{\text{th}}$ of annual salary for each whole day a member is on strike. For weekly paid staff this will be $1/5^{\text{th}}$ of the week's wage. For other workers who work less than full time hours then a different formula would apply. For example, a member who works three days a week could have $1/156^{\text{th}}$ of annual salary deducted for each day on strike.

However, it should be pointed out that for some employers this method may not be the basis used due to locally negotiated agreements. It is therefore important that any member checks with their respective employer concerning the exact terms of payback that applies.

How are LGPS back payments made?

The extra contributions will be deducted from pay. Normally this is as a single payment, but the employer has the discretion to spread it over a longer period.

Either the Pension Office or Payroll Section of your employer can provide a form for people to fill in and send back, if this is what they want to do. **Think carefully - once you have made the decision it cannot be changed.**

The administrator for the LGPS usually advises anyone in this position to telephone their payroll section first, to get an estimate of what the cost to them would be, before they sign the form. You have 30 days from the date you return to work (longer if the employer allows) to make up your mind.

In most cases, the effect of a short strike on your pension is going to be too small for buying back to be worthwhile, though you might want to consider it if you were involved in lengthy action.

Example

- A full time member on £15,000 salary who was on strike for 6 whole days.
The amount to pay back would be based on the pay lost, which in this case would be $6/260^{\text{th}} \times £15,000 = £346.15$.
 - You will then be required to pay 16% of this figure = £55.38
(this is the gross figure which would attract tax relief)
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The payback option specified above is specifically for LGPS members and if you are a member of the NHS or Civil Service Pension Scheme's you do not have this option and should check your position directly with your Payroll Department if you do not want to suffer any pension loss, even if very small. For example, you could potentially offset any loss by working an extra day.

If you have any questions please call the Pensions Unit on 020 7121 5514.