

## **The impact to RNLI 1983 pension benefits, if an active member of the Scheme on 30/9/2012 subsequently takes a reduction in salary**

The RNLI 1983 Contributory Pension Scheme closes to future accrual on 30 September 2012. The link to final salary will remain while employees are employed by the RNLI, unless they accept a significant promotion after 1 October 2012.

Please note that if an employee has a salary reduction due to a **change in working hours**, it will not affect the calculation of Defined Benefit pension benefits. Before the Scheme closed to future accrual, the length of pensionable service would have been pro-rated to calculate the full time service that had been earned. The length of pensionable service for all active members of the Scheme at the date the Scheme closed is 30 September 2012. The part-time salary is always pro-rated to work out the full time equivalent salary and it is the full time equivalent salary that is used for pension calculations.

If an employee takes a drop in salary which is unconnected to a change in working hours – it will not necessarily affect the pension benefits built up in the Defined Benefit scheme.

If the member is many years away from drawing their pension benefits and remains an RNLI employee, their salary might grow with annual increases.

Also, there are a number of 'best of' calculations that the pension administrator will carry out. The pension benefits will be calculated using the best/highest salary that comes out of the following checks:

- The highest salary earned in a 12 month period in the 5 years prior to leaving the RNLI or prior to the date the pension benefits are drawn.
- The pensionable salary on 30 September 2012 (the date the Scheme closed to future accrual). If this is the highest of the 3 checks, the value of the pension benefit at this date would benefit from 'deferred revaluation'. Deferred revaluation will be applied to any member's benefits at the point they leave the RNLI – if they leave before they are able to draw their pension. This makes sure the value of the benefit is a current benefit, at the date the pension/benefit is drawn.
- The pensionable salary at the date immediately before the reduction in salary. The value of the pension benefit at this date would benefit from 'deferred revaluation' as above.

Regardless of how long the member remains at the RNLI or the date that they wish to draw their pension benefits from this scheme, there are a number of 'best of' calculations which will be carried out when the pension benefits are due to be paid.

In addition to this, the member has the opportunity to join the RNLI's Defined Contribution Plan to build up pension accrual after 1 October 2012, on their new salary.