

Final Salary Linking

Quiz time



What is final salary linking ?

- A final salary link means when a member retires, if they have membership in the 1995/2008 Scheme, their benefits will be based on their pensionable pay on or near their retirement and not at the point they transitioned to the 2015 Scheme.
- For transitional/tapered protected members a final salary link will be maintained where a member has not had a break of 5 years or more in pensionable employment.
- A final salary link will be lost where a member has had a break of 5 years or more
- Membership becomes de-coupled (separate) where a member has had a break 5 years or more or has periods of deferred membership.

Which members will retain a final salary link?

- Transitional members will retain a final salary link in the 1995/2008 section where they have not had a single break in membership of 5 years or more.
- Members of the 1995/2008 section who have full protection and return to the NHS Pension Scheme after a break of 1 year or more but less than 5 years.
- Members in the 2015 scheme who have a break of less than 5 years will be ignored.
- Members who have transferred benefits into the NHS Pension Scheme from another public sector pension scheme during a break in membership which is less than 5 years, may retain the final salary link.

Which members will not retain a final salary link?

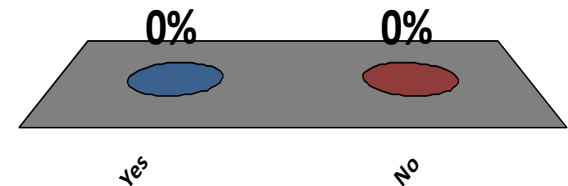
- Members who have a break of 5 years or more between leaving the 1995/2008 section and joining the 2015 scheme will not retain a final salary link.
- Members will not retain a final salary link where “historical membership” has been deferred.
- Members who were previously in a public sector scheme during a break in membership of 5 years or more who did not transfer those public sector benefits into the NHS Pension Scheme will not retain a final salary link.
- Previous periods of membership where pay has been protected in the 1995/2008 section will not retain a final salary link.

Deferred membership in the 1995/2008 section

- Where a member has previous period(s) of deferred membership (breaks of 12 months or more) in the 1995/2008 section, these will be taken into account automatically under regulation R9 (previously known as Reg9/41 & Reg 42 calculations)
- We will do comparison calculations at retirement where this applies.
- Similarly periods of protected pay in the 1995/2008 section will also be treated separately as described earlier...

Question 1 : Can a member retain a final salary link if their previous membership was not in the 1995/2008 section?

- A. Yes
- B. No



Answer

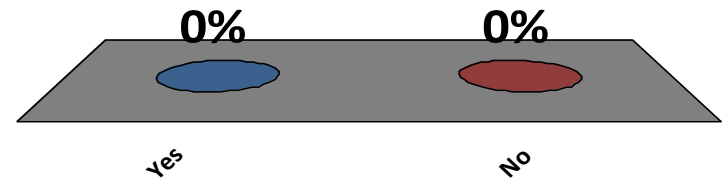
Answer (B) No,

Member must have membership in the 1995/2008 section and not had a break of 5 years or more.

Question 2 : Does the member retain a final salary link if the break in membership is exactly 5 years?

A. Yes

B. No



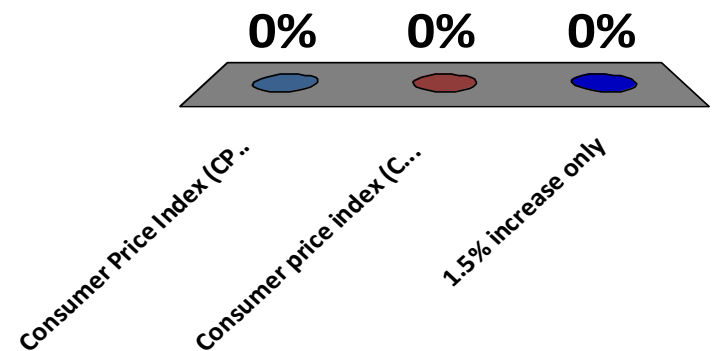
Answer

Answer (B) No

Members will not retain a final salary link where the break in membership is **5 years or more**.

Question 3 : If a member is in the 2015 scheme and accrues a break in membership of 5 years or more and benefits become decoupled (separate), does the separate benefits element attract:

- A. Consumer Price Index (CPI) plus 1.5%
- B. Consumer price index (CPI) only
- C. 1.5% increase only



Answer

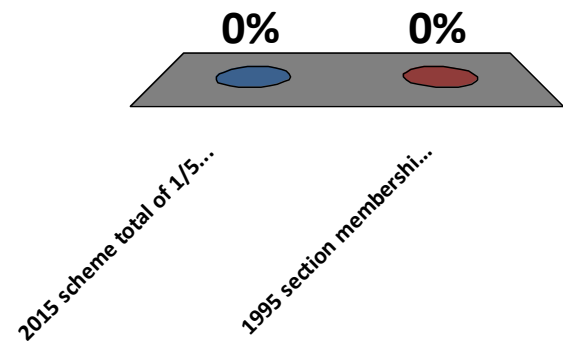
Answer (B) Consumer Price index (CPI) only

If the break in 2015 membership is 5 years or more, the decoupled (separate) benefits element continues to be revalued, but only at the rate of CPI.

CPI plus 1.5% would not be applied to any decoupled elements, but applies to continuing 2015 benefits where a final salary link is retained.

Question 4 : For transitional/tapered protected members when calculating retirement benefits for a 1995 section member who has tapered protection and transitioned to the 2015 scheme (no break in membership) which calculation would be used?

- A. 2015 scheme total of $1/54^{\text{th}}$ pensionable pay, CPI plus 1.5% for each year of scheme membership
- B. 1995 section membership up to 31/03/2015 or tapered protection end date and the best of the last 3 years at retirement + $1/54^{\text{th}}$ of pensionable pay, CPI plus 1.5% for each year of 2015 scheme membership



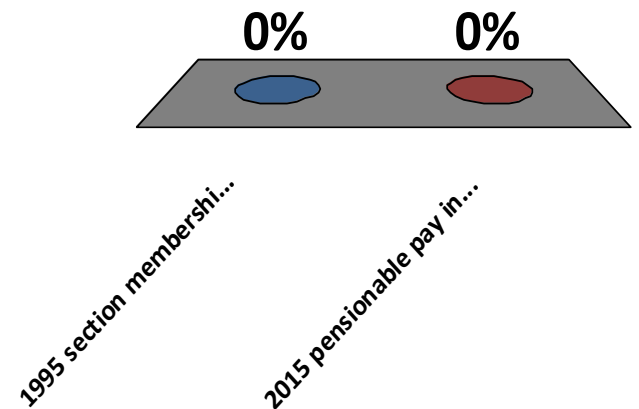
Answer

Answer (B)

1995 section membership **up to 31/03/2015 or tapered protection end date** and the best of the last 3 years at retirement + $1/54^{\text{th}}$ of pensionable pay, CPI plus 1.5% for each year of 2015 scheme membership.

Question 5 : Which pay would we use for a deferred 1995 section member who then joins the 2015 scheme with a break in membership of 5 years or more?

- A. 1995 section membership up to the date membership of the 1995 section ceased and the best of the last 3 years + $1/54^{\text{th}}$ of pensionable pay index adjusted each year of 2015 scheme membership
- B. 2015 pensionable pay index adjusted for each year



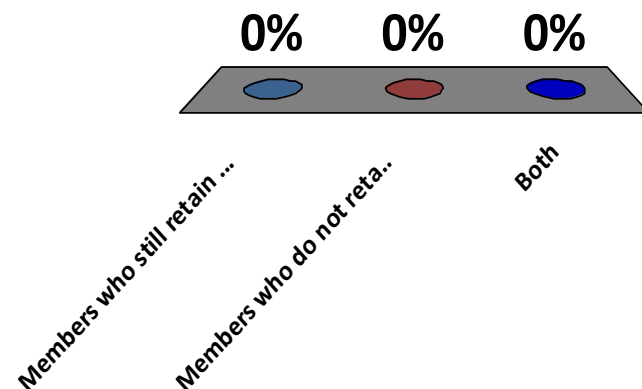
Answer

Answer (A)

1995 section membership **up to the date membership of the 1995 section ceased** and the best of the last 3 years + $1/54^{\text{th}}$ of pensionable pay index adjusted each year of 2015 scheme membership.

Question 6 : Final Pay Controls (FPC) potentially still applies for members of the 1995 section who have transitioned to the 2015 section. Does FPC apply to?

- A. Members who still retain a final salary link
- B. Members who do not retain a final salary link
- C. Both



Answer

Answer (C) Both,

Potentially Final Pay Controls may still apply to the 1995 section element.