

Protection of Pay Guidance – Pro Pay 1

There are two provisions under which a member can protect their pensionable pay.

Protection of pay through no fault of the member (both Sections of the Scheme).
Voluntary Protection of Pay (1995 Section only).

Protection of Pay (through no fault of the member)

If you have at least 2 year's qualifying service and suffer a reduction in earnings through no fault of your own, you may apply to protect your pension benefits.

Examples of accepted reasons for protection of pay are:

- A change in the nature of the duties performed for example due to ill health.
- A move to a lower paid post because of pending or actual redundancy.
- Being transferred to other employment with an employer.

We can consider protecting pension benefits when redundancy results in a member receiving a lower rate of pensionable pay within 12 months of redundancy. As pension benefits are automatically deferred after a break of 12 months, a member would not need to apply for protection if returning to HSC pensionable employment 12 months or more after being made redundant.

Where pay is to 'mark-time' for a specified period, pensions can be protected at the beginning and the end of the mark-time period.

Voluntary Protection of Pay (VPP)

If you choose to step down to a less demanding role where your new or remaining duties are less demanding and carry less responsibility than your previous duties, you may be able to apply for voluntary pay protection.

VPP was introduced from 1 April 2008 to provide more flexibility in the 1995 Section of the Scheme. The provision recognises that in the run up to retirement a member may prefer, if possible, to remain in HSC employment, perhaps in a lesser capacity, whilst protecting their pension benefits.

This provision also allows an employer to maintain the valuable knowledge and skills of a member who may otherwise have left the HSC. Any 'step down' will therefore be agreed between the employer and the member and the employer will have to provide HSC Pensions with information that the 'step down' has been agreed. The provision is also intended for lasting, rather than trivial or short-term reductions in pay.



The provision is not intended for situations where a member leaves one employer and merely joins another on a reduced rate of pay.

The following criteria must be met:

- You are a member of the 1995 Section of the Scheme.
- You have stepped down to a less demanding role where your new, or remaining duties are less demanding and carry less responsibility than your previous duties. This must be confirmed by your employer(s).
- Your pensionable pay has reduced by at least 10 percent for a period of at least one year, beginning with the first pay day on which the reduced pensionable pay was paid, as verified by your employer(s).
- Your pensionable pay has not been subject to any other reductions in the 12 month period before you stepped down, as verified by your employer(s).
- You have applied after 12 months, but within 15 months, of your pensionable pay being reduced.
- You have attained your normal minimum pension age. (Further information about minimum pension age can be found in the Scheme Guide).
- You have attained at least 2 years qualifying membership within the HSC Pension Service at the time you step down.
- You have not previously protected your pensionable pay under the Voluntarily Protected Pay provision.

How do I apply for Protection of Pay or Voluntary Protection of Pay?

If you have any queries on whether protection would apply, please initially refer to the Q&A.

You should complete form Pro Pay1 Application and send it to your employer.

Your employer will forward all relevant information to HSC Pension Service. If you have stepped down between employers, please send the form to the earlier employer. We will need to contact your current employer in order to verify that pay protection applies.

Your employer will communicate the decision to you. However it may take several weeks before you receive a response.

Time limits

Protection of Pay through no fault of the member – requests should be made within 3 months of going on to reduced pay.

Voluntary Protection of Pay – Requests should be made after 12 months, but within 15 months of the pensionable pay being reduced.

You do not need to apply if:

- You are only reducing your hours and not your hourly rate of pay. This is because we always use the notional whole time equivalent pay when calculating retirement benefits.
- The reduced pay is due to Agenda for Change, as the employer will automatically request protection of pay for you.

If my application is accepted how will my pension be calculated?

If you have one period of protection when you retire, two pensions will be calculated. A pension based on your protected rate of pay* plus inflation increases for membership up to the date of protection and a second pension for membership after that date which will be calculated on your pay* at retirement.

If by retirement the protected pay plus inflation increases is not more beneficial to you, then the whole of your pension benefits will be calculated using your pay* at retirement.

*1995 Section - The best of the last three years of pensionable pay

*2008 Section - The reckonable pay, which is an average of the best three consecutive year's pensionable pay in the last ten years

Remember: in the 2008 section voluntary protection of pay does not apply.

