

Added Years in the event of an employer initiated reduction to your salary

About this guidance

The Government of Jersey introduced added years legislation to assist employees who experience an “employer initiated” reduction in pay. The aim of this legislation was **“to ensure employees accrued final salary benefits that have already been paid for are not reduced due to an employer initiated salary reduction.”**

This guidance document sets out how final salary benefits are to be calculated for members who have built up benefits in the Final Salary Scheme and experience a reduction in pay implemented by their employer.

Am I eligible to added years?

You are eligible for added years if your employer has implemented a reduction to your salary, either as part of a workforce or other organisational change, or where your post has been through re-evaluation.

For example, if you have gone through an organisational change and your job was re-evaluated at a lower grade.

What are added years and how do they work?

Added years is additional pensionable service that would be included in the calculation of your pension. It maintains the value of your accrued pension as if you had never experienced a reduction in your salary.

When would I receive the added years?

You would receive added years when you see an actual reduction in your salary; if you are on pay protection then this would generally be when your pay protection period has ended and your salary has reduced.

Why wouldn't you receive added years?

You would not receive added years if you voluntarily reduced your salary or if your job has been re-evaluated at the same grade. In addition, if at the end of your pay protection you do not see a reduction in your salary then you will not receive any added years.

For example, if your salary is protected for 3 years at £30,000 and after the 3 years of pay protection your new salary has reached £30,000 (with pay awards), there would be no reason to award any added years as your pay would not have been reduced. Your pension will not be affected as it will be calculated using the same salary as the one before your pay protection began.

How are added years worked out?

Below is an example of how added years would be calculated and included in your pension should you experience a reduction to your salary.

Old Position

- A member has built up 10 years' pensionable service in Final salary scheme
- Their accrual rate is 1/80th
- The member's salary before the reduction is £40,000

The member's annual accrued pension would be as follows

10 Years x £40,000 ÷ 80 = **£5,000** per year

Following an Employer Initiated Salary Reduction a member experiences a 10% reduction in their salary lowering their salary to £36,000. This would affect the member's annual accrued pension as follows:

10 Years x £36,000 ÷ 80 = **£4,500** per year

As a result of the reduction in salary the member loses £500 per annum from their future pension due to employer initiated salary reduction.

New Position

Under the new legislation the member is now given additional pensionable service (added years) to offset the employer initiated salary reduction

Using a calculation provided by the scheme actuary the member would receive an additional 1 year 41 days of pensionable service. This service will then ensure that the member's pension is not affected by any reduction to their pay implemented by their employer.

The member's annual accrued pension would return to the value before the reduction to their salary, as shown below.

11 Years 41 days x £36,000 ÷ 80 = **£5,000** per year

Please Note: Where a member has been awarded added years, the calculation of the member's pension will not take into account any salary prior to the date on which the added years were awarded.

Further information

If you have any questions relating to this matter, please do not hesitate to contact the pension's team using the following details

Email – pept@gov.je

Telephone – (4)40227