

Pension Losses

Final Salary or Defined Benefit

Occupational scheme arranged by employers and funded by employee and employer contributions.
Pension depends on length of service and salary level.

Calculation of Loss

Loss is calculated as loss of taxable annual pension and loss of tax free lump sum remembering the Longden set off for ill health pensions. Need to know annual salary, scheme fraction (from scheme booklet) and length of service. Consideration needs to be given to recent changes or planned change to such pension schemes e.g. 2014/15 changes to public sector pension schemes.

Annual Pension Loss

Potential pension (based on potential earnings and service)
Less Actual pension (based on actual earnings and service)
Apply to multiplier to normal retirement age

Lump Sum Loss

Discounted back from retirement age to trial date with Longden set off if claimant in receipt of ill health pension.

Ensure employee contributions are deducted from loss of earnings.

Money Purchase or Defined Contribution

Contributions to a scheme are built into a fund to buy a pension on retirement. Either an occupational scheme with employer contributions or a private or individual pension, including auto-enrolment schemes.

Calculation of Loss

Obtain details of employee and employer contributions and tax status of the Claimant. Details may be found on payslips. Loss is restricted to loss of tax relief on employee contributions and any loss of tax free employer contributions.

Apply to multiplier for period of loss of earnings.

Pension Scheme Illustrations

Do not use the pension scheme illustration of projected pension to calculate the loss as these include future inflation and will therefore overstate the claim.

Ensure employee contributions are not deducted from loss of earnings.

State Pension

Basic state pension (based on Claimant's NI records over their working life).

Additional state pension – known as SERPS from 1978 to 2002 and as the Second State Pension or S2P to date. In 2016 S2P will be abolished.

Consider whether state pension would have been deferred to actual intended retirement if later than state retirement age.

Earnings related and paid to employees only. Consider whether there is any loss of S2P.

