



Introduction

If you're leaving employment due to severance or redundancy, or are considering being part of a Voluntary Severance Scheme (VSS) or a voluntary redundancy exercise, then you may have questions about your financial future.

This Read-as-you-Need guide is designed to offer general information about how your pension might be affected. However the terms of your employer's specific exercise may differ.

You will need to speak to your employer directly for specific information about your severance or redundancy package and the options available to you. This includes:

- details about your salary, including your pensionable pay
- how much severance or redundancy pay you are likely to receive and whether it will be subject to tax
- an estimate of how much of your severance or redundancy package you may be able to put into your pension and the impact that will have on your benefits

You may also wish to get financial advice.

HOW SEVERANCE OR REDUNDANCY MIGHT AFFECT YOUR PENSION

Severance or redundancy will not affect the amount of benefits you have built up in your pension to date, but it will affect your ability to build up future benefits.

Your pension to date

Any funds and/or benefits that you've built up in your pension to date will remain safe, even if you leave work due to severance/redundancy or as part of a Voluntary Severance Scheme (VSS) or redundancy exercise.

You can find out roughly what your pension is currently worth by **requesting an estimate** in your myRPS account.

Estimates can be redone online for free, as many times and covering as many possible scenarios as you need. These are not a guarantee of benefits and the results will be affected if your circumstances change, for example, if you take your benefits directly after leaving work, the retirement terms may be more generous than if your benefits are preserved and you take them at a later date.

If you have previous periods of membership, you will need to ask for separate estimates for each record you hold. You can switch between your membership records in your myRPS account, using the blue 'Switch scheme' dropdown menu at the top of your screen once you've logged in.

You can find more information about how to request an estimate in the short video available in the video library at [railwayspensions.co.uk](https://www.railwayspensions.co.uk)

Your estimate will be based on a number of components, including your pensionable salary. This is your annual salary that is taken into account when calculating your pension contributions. It typically does not include bonuses or overtime.

Please check with your employer if you are not sure which part of your pay counts towards your pension benefits. There's also a separate [Read as You Need guide on pay restructuring](#) for more information.

Unfortunately, there may be some instances where you won't be able to get an accurate estimate online. For example, this may be where a more complex calculation is required, or if you're close to reaching your Lifetime Allowance (LTA) limit (see tax section below).

If this is the case, then you should receive a message on the website telling you that your estimate cannot be completed. We will then carry out some further manual work and send you an estimate by post instead.

Due to demand we can only carry out one manual estimate request per member. As an alternative you may be able to use the Pension Planner to get a forecast of your estimated benefits. You'll find the Pension Planner in the 'Planning for the future' section when you log into your myRPS account.

If you're considering boosting your pension with an augmentation payment where permitted (see 'Boosting your pension' section below) then this won't be reflected in any estimates you receive and you'll need to contact your employer directly for an estimate on those.

However, you can request an estimate with a BRASS top-up included in your calculation.

If you need help understanding your estimate, take a look at our [estimates glossary](#).

Future payments into your pension

If you're leaving work due to severance or redundancy, then all future payments into your pension will stop. This includes contributions made by your employer, as well as made by you.

You'll also have a few decisions to make about what happens next. For example:

- Do you want to use part of your severance or redundancy package to boost your pension?
- Will you take early retirement if applicable?
- Will you leave the pension you've built up in the RPS or transfer it elsewhere?

More information about these options can be found in the relevant sections below.

USING YOUR SEVERANCE OR REDUNDANCY PACKAGE TO BOOST YOUR PENSION

In most cases, you'll be able to use part of your severance or redundancy package to give your pension a boost. Depending on what is being offered by your employer, boosting your pension can be done in one of two ways:

1. Make a one-off payment as an Additional Voluntary Contribution (AVC). Please speak to your employer about doing this
2. Buying more Scheme pension and an additional lump sum through a process called pension augmentation. For DC members, this may also be referred to as your employer making a special contribution. This option is entirely at the discretion of the employer and may not be offered in all circumstances. Augmentation is not available as part of the Train Operating Companies' Voluntary Severance Scheme

Boosting your pension with a one-off contribution

You can ask for part of your severance package to be paid into your pension as a one-off Additional Voluntary Contribution (AVC). This will be tax free, as long as it's within your Annual Allowance and Lifetime Allowance – see the tax implications below.

When it's time to retire, the money you've paid in through AVCs can be taken in a different way to your main Scheme pension. This includes taking it as a lump sum, subject to tax, or transferring it to another scheme.

The main AVC arrangement, open to RPS members, is called BRASS.

As a DB member you can make as many one-off contributions to BRASS as you like, but for many sections there is a maximum amount you can contribute in each tax year. That is either:

- 15% of your gross pay, minus your normal Scheme contributions, or;
- 20% of your pensionable pay, plus Pensionable Restructuring Premiums if you have them, minus your normal Scheme contributions

Your employer, usually the payroll department, should be able to give you an accurate calculation of how much you may be able to pay into BRASS. If you're a DB member, you can also use the BRASS calculator to get an idea of how much you can pay into BRASS. The BRASS calculator is available in the 'Planning for the future' section when you log into your myRPS account.

You may wish to take financial advice if you're considering making a one-off contribution to BRASS. Similarly, if you have the option to make an augmentation payment instead of a one-off contribution to BRASS, then you may also wish to take financial advice as to which is the best option for you.

If you've already exceeded your BRASS maximum allowance, you may be able to contribute into another arrangement called AVC Extra. This is possible if the pension contributions and BRASS contributions you've already made in the current tax year, are less than either your gross pay or the Annual Allowance tax limit, whichever is lower. This option does not apply to members of the Network Rail Section.

If your pension savings exceed the Annual Allowance and any unused allowance you have from the previous three tax years, then you will have to report this to HM Revenue & Customs (HMRC) in a Self-Assessment tax return. You will then have to pay tax on the amount in excess of the Annual Allowance and any unused Annual Allowance from the previous three years.

If you would like to join the AVC Extra arrangement, please speak to your employer. AVC Extra is not available to members of the Network Rail Section.

If you do decide to make a one-off contribution from your severance package, this can usually be done directly through your employer. Your employer will typically make this payment as part of their final contributions into your pension, so it may be deposited after we've already finalised your benefits. If that's the case, don't worry, we'll automatically recalculate your benefits and send you the updated information.

You can find out more about making a one-off payment in the short video available in the video library at [railwayspensions.co.uk](https://www.railwayspensions.co.uk).

Additional information for DB members about one-off contributions

If you're a DB member, you can find out how a BRASS top-up could benefit your retirement savings by using the Pension Planner in your myRPS account. This is under the 'Planning for your future' section.

Simply enter the amount you're considering paying in and select 'Re-calculate'. The planner will then show you what impact this could have on your benefits. Or you can request an estimate which includes a BRASS top-up in your calculation. See the 'your pension to date' section above for more details on how to request an estimate.

If the Pension Planner doesn't show the full impact of making a one-off contribution, it could be because you've exceeded your Lifetime Allowance, also known as the LTA. You can read more about this in the tax section below.

Additional information for IWDC members about one-off contributions

For IWDC members, you can pay as much as you like into your pension as an Additional Voluntary Contribution (AVC). However, there are limits on the amount you will get tax relief on. These limits are known as the Annual Allowance and the Lifetime Allowance – please see the tax implications section below for more details.

If you're a DC member, you can see the impact making an Additional Voluntary Contribution (AVC) may have on your pension pot by using the Retirement Modeller tool in your myRPS account.

Boosting your pension through augmentation

If permitted by your employer, you may be able to have some of the money you're entitled to receive as part of your severance or redundancy package paid directly by your employer into your pension, effectively increasing your pension. This is known as pension augmentation.

Pension augmentation is offered entirely at the discretion of the employer, so you will need to speak to them directly to find out if this is an option available to you.

If it is offered, then an advantage of pension augmentation is that you may pay less tax on the taxable elements of your severance/redundancy package, such as holiday pay or bonuses. Everyone's tax affairs do differ though, so please seek independent financial advice if you're unsure about how this could work for you.

Broadly speaking, you may also be able to decide how you would like the augmentation payment to be used. For example, you can use it to buy more Scheme pension – giving you a higher regular income when you retire – as well as an additional lump sum.

Where applicable, please speak to your employer if you're considering augmenting your pension and would like an estimate of how it could impact your pension benefits and to confirm this option is available to you.

You can also find out more about pension augmentation, including the tax implications and the process involved, in this separate [Read as You Need guide](#).

The tax implications of boosting your pension

Whether it's possible or tax efficient to use part of your severance or redundancy package to boost your pension, will typically depend on three things.

How it would be taxed if you take it directly as a severance or redundancy payment. This will depend on **your marginal rate of tax**. You can find out more on the government website - [gov.uk/income-tax-rates](https://www.gov.uk/income-tax-rates)

The Annual Allowance (AA). This is a limit on the amount of your pension savings that can benefit from tax relief in each tax year (6 April to 5 April)

The most that you can save tax-free towards all your pension arrangements in a year is the lower of 100% of your earnings, or the amount the AA is set at for that tax year.

Your AA may be lower if you have a high taxable income. Please see our [Annual Allowance tax limits guide](#) for more information on this

The Lifetime Allowance (LTA). This is a limit on the total amount of pension savings you can build up over your lifetime, not just per year. The LTA is set by the government and you can find the current rates on the government website - gov.uk/tax-on-your-private-pension/lifetime-allowance

You can find out more about tax allowances in our [Read as You Need guides](#) and [tax videos](#) at member.railwayspensions.co.uk.

If you're concerned that you may be approaching your own tax limits, then please speak to your employer or get financial advice.

YOUR OPTIONS ONCE YOU'VE LEFT THE COMPANY

Once your severance is finalised, all payments into your pension will stop. You then have three main options for what to do with the benefits you've already built up. These are:

1. Leave the pension you've built up in the RPS, until you're eligible and ready to retire. This means you'll become a preserved member.

The benefits you have now will be kept safe until you're ready to claim them. If you're a defined benefit member, then your benefits will also increase every April. This increase is typically in line with the Consumer Prices Index (CPI). If you're a defined contribution member, or if you have BRASS or AVC Extra funds, these will increase (or potentially decrease) in line with the investment returns achieved on your funds.

If you're currently entitled to favourable early retirement factors on any of your benefit entitlement on retirement from active service, then these factors would no longer be available as a preserved member.

2. Take early retirement, if applicable

If you're aged over 55 during the severance process (or over 50 with a Protected Pension Age), then you may decide to take early retirement straight away. Your pension payments are likely to be lower than they would be if you waited until your Normal Retirement Age, which is typically between 60 and 65. This is because, if you're a defined benefit member, an early retirement factor is applied to reflect the fact that benefits are being paid earlier and are also expected to be paid for longer.

If you're eligible, then the early retirement factors under this option may be more generous than they would be if you chose to follow Option 1 and become a preserved member, before subsequently taking early retirement at a later date.

3. Transfer your pension to another provider

Once all payments into your pension have stopped, you can decide to transfer your pension out of the RPS and to another provider. Transferring your pension does, however, carry significant risks and you should carefully compare the benefits of your current pension with any alternatives before making a decision.

If you're under 55, there are more rules around taking and/or transferring your benefits. Check out the transferring in or out page online under pension essentials at railwayspensions.co.uk for details

And, if you're a DB member with a Protected Pension Age, please refer to this [Read as You Need guide](#).

KNOWING WHAT'S RIGHT FOR YOU

Understanding how severance or redundancy can affect your pension, and knowing what actions to take can be quite daunting. You may want to get financial advice to help you make the right decisions for you, Please visit the guidance and advice page in the pension essentials section at railwayspensions.co.uk to find out more.

A range of tools, designed to help you understand your pension and how it can work for you, are also available across the member website. These include:

- A [Video Library](#) with a selection of short films covering topics, such as tax and saving, and;
- A [Retirement Budgeting Calculator](#) to help you work out how much you may need in retirement in order to afford the lifestyle you want

By logging into your myRPS account, you'll also have access to:

- the Pension Planner tool, if you're a DB member, to show how much your pension may be worth when you stop work
- the Retirement Modeller, if you're a DC member, to show how much your total pension pot could be worth when you retire

And you can request estimates for your pension for free, online, as many times as you need.

WHO TO CONTACT FOR FURTHER INFORMATION ABOUT SEVERANCE/REDUNDANCY AND YOUR PENSION

If you have questions about your severance, redundancy or Voluntary Severance Scheme (VSS), including the impact on your pension, you should contact your employer in the first instance.

You can also find more information in the FAQs section of the member website – railwayspensions.co.uk.

WHAT TO DO IF YOU'RE CURRENTLY INVOLVED IN A SEVERANCE OR REDUNDANCY EXERCISE

If you're already involved in a severance or redundancy exercise, then you should have been contacted by your employer with details of what you need to do next.

If necessary, your employer will then refer you to the scheme administrator, Railpen. You can contact Railpen at csu@railpen.com.

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