Protected Pension Age

Please read this important information about Protected Pension Age. This guide covers:

- Background information
- What is a Protected Pension Age and how do I know if I have one?
- The two types of Protected Pension Age that may apply to you
- Can a Protected Pension Age be lost?
- Tax Consequences
- Opting out

Background information

You can take your benefits without them being reduced once you reach your Normal Retirement Age (NRA). In most pension Schemes, including the Railways Pension Scheme (RPS), you can also request to take your benefits before your NRA with a reduction applied to your benefits as it will be paid earlier and therefore for longer.

In April 2010, government legislation under the Finance Act 2004 increased the earliest age from which reduced benefits could be taken, known as the Normal Minimum Pension Age (NMPA), to age 55 for members who joined their pension scheme on or after 6 April 2006.

Legislation under the Finance Act 2022 increases the NMPA from age 55 to 57 with effect from 6 April 2028.

The legislation does allow members to take benefits from an earlier age than their NMPA under certain circumstances, which are:

- The member has a Protected Pension Age (PPA),
- Ill-health retirement, or
- Serious ill-health retirement.

What is a Protected Pension Age and how do I know if I have one?

Following the changes in the NMPA legislation there are now two form of PPA, as follows:

PPA50 - If you were an active member of any Section of the Railways Pension Scheme (RPS) on 5 April 2006, you may be able to apply for your RPS pension benefits from age 50.

PPA55 – If you don't qualify for PPA50 but were an active member of any Section of the Railways Pension Scheme on 3 November 2021, the earliest you can claim your RPS pension is age 55 (PPA55). If you joined as a new entrant on or after 4 November 2021, the earliest you can claim your RPS pension is age 57, unless you reach 55 before 6 April 2028 and also claim your pension before 6 April 2028.

Once you have a PPA in the RPS this cannot be lost or removed, other than in specific circumstances listed below, and applies to all periods of membership in the RPS.

Can a Protected Pension Age be lost?

There are a number of circumstances where a PPA50 may be lost, which could have serious tax consequences as a result, for details please read the 'Tax Consequences' section below.

In order to rely on a PPA50, all your benefits within the Scheme must be taken at the same time. Therefore, if you rely on a PPA50 to take benefits before age 55 you have to take payment of all your benefits from any other Sections you may have in the RPS.

A PPA50 can be lost if after taking benefits you are employed by:

- The same employer;
- Another employer in the same corporate group; or
- Any sponsoring employer with which you are connected*.

*Connected persons are defined in Section s993 of Income Tax Act 2007 and include spouses or civil partners, relatives, spouses or civil partners of relatives and companies controlled by either you alone or with another connected person.

This means that if you are rely on a PPA50 in order to take payment of your benefits in the RPS before 55 you must cease all employment with any of the above employers at the time you take your benefits. If you remain in employment with these employers, you will lose your PPA50 and you could face an 'unauthorised payment' tax charge.

If you leave work and claim your benefits having relied upon a PPA50 to do so and return to employment with any of the employers listed above, then your PPA50 is lost from the date you are re-employed unless you meet one of the following conditions:

- A break in employment of at least six months
- A break in employment of at least one month and the re-employment is materially different in nature to your previous role.

In practice this means that if you are not employed by any of the employers mentioned above or there is a break in employment of at least six months you will not lose your PPA50.

If you are employed by an employer mentioned above then there has to be a break in employment of at least one month or six months if the role is not materially different.

HMRC's tax guidance states that for employment to be a materially different a simple change in hours is not sufficient but rather the duties and/or the level of responsibility in the new employment must be different from those in the old employment.

Once you reach age 55, the above conditions no longer apply so the following tax consequences will not apply regardless of any subsequent employment.

The employment conditions and the need to take benefits at the same time do not apply for someone who has PPA55 and wishes to take benefits from age 55.

The right to a PPA50 and PPA55 obtained whilst a member in the RPS will generally no longer apply if you transfer your pension benefits in the RPS to another pension provider.

Tax Consequences

If you rely on a PPA in order to take payment of your benefits before age 55 or 57 and you lose or subsequently lose the right to a PPA then every payment (pension and lump sum) made from the scheme before you reach age 55 or 57 will be treated as an unauthorised payment.

The tax on unauthorised payments can be as high as 55%.

Opting Out and PPA50

Generally, if you voluntarily end your pensionable service in the RPS by opting out, the Rules state the earliest age you are able to take payment of your benefits is age 55 regardless of whether you have a PPA50 or not.

If you came to a special agreement with your employer prior to opting out it may still be possible to take your benefits before age 55.
