RAILWAYS PENSION SCHEME

February 2019

issue 72

re:view

Tax relief...

the icing on the cake

We all know that tax means taking money out of your pay packet… so here's some good news.

By paying into your Rail pension, you get tax relief.

This means that money you would normally pay out as tax is put in to your Rail pension instead.

So for example, for every £1 put into your pension, only 80p (basic tax rate) or 60p (higher tax rate) is taken from your net pay. The rest is covered by tax relief.* Think of it as a reward for saving towards your future.

Tax relief is a welcome bonus for your pension – as long as you stay within certain limits. More details on page 3.

* Different rates and bands may apply for Scottish taxpayers.

How tax relief works

For every £1 saved into your pension:

If you are a:

	Basic rate tax payer	Higher rate tax payer
is taken from your net pay	80p	60p
is covered by tax relief	20p	40p

Chair's message...

Believe it or not, John Major was Prime Minister when the State Pension age first started to go up. Now, over 20 years later, it's official – men and women both now qualify for their State Pension from the age of 65.

The change affects all women who were 65 (or younger) on 6 November 2018, with more increases to come. See the latest timeline on page 4.

You may also have heard that the Guaranteed Minimum Pension will be made equal, which will affect some Scheme members – but only in a positive way. Read more on page 11.

And then, of course, there's Brexit. The UK's exit from the EU looms large.

Whatever comes out of the political process, I'm pleased to say that – compared to some other financial institutions – Brexit should have a fairly low impact on the RPS.

The RPS is a UK pension scheme, following UK regulations, and our members are mainly based in the UK. Whilst we have global investments, we don't manufacture goods, but provide services to our members.

This doesn't mean we are resting on our laurels, and we're always on the lookout for potential risks which may affect our investments.

However, our portfolio of funds – which will help pay your pensions in the future – are diverse and globally spread. We expect more volatility in the markets, but we **are** preparing to respond to that.

John Chilman, Trustee Chair

Don't let **fraudsters** steal your future

Your pension is precious – you've worked hard for it and you don't want to lose it.

But this is exactly what happens every year. We all think we're too smart to get conned but when a tempting offer lands, the pound signs start flashing.

Scam victims lose an average of £91,000 each from their pensions, and once it's gone, it's gone!

So ask yourself – why should ***you*** be singled out for a deal that sounds too good to be true?

Pension scams come in many forms but tend to fall into two main categories:

- One encourages people to take cash lump sums from their pensions for 'investments'.
- The other involves tricking the victim into transferring their pension to a new provider.

A classic scam includes talk of free pension reviews, guaranteed higher returns on investments, help to release cash early, plus high pressure sales tactics.

Words like 'loan, savings advance, cash incentive, bonus, and loophole' should start alarm bells ringing too.

Don't hang on. Hang up! Pensions cold-calling is now banned. If you get a call about your pension out of the blue, hang up!

If you think you could be the victim of pension fraud, or have been cold-called, contact Action Fraud on **0300 123 2040**.

Your **tax limits** explained

There are limits on the amount of tax-free pension savings you can build up.

If you go over the limit, you could face a tax penalty on the excess.

Annual Allowance

Currently set at £40,000 per year. If your annual pension savings go over this limit, you may have to pay a penalty charge – unless you have unused Annual Allowance from the previous three years that you can use to offset the excess.

Some high earners may have a lower allowance – see Tapered Annual Allowance for details.

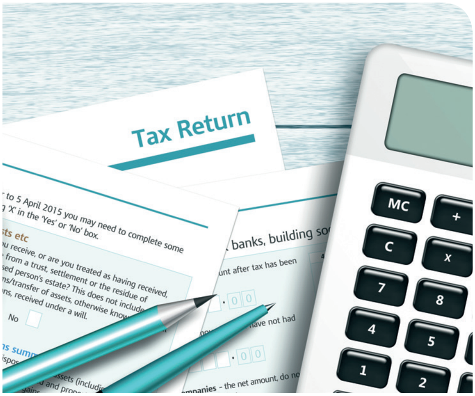
Work out your allowance online at **hmrc.gov.uk/tools/pension-allowance.**

Lifetime Allowance

This currently stands at £1.03 million, but is going up again in April 2019 to £1,055,000.

You can save as much as like into your pension. But once you start taking money out of your pensions (excluding the State Pension), you could be liable for an excess tax charge.

You usually find out if you are affected by this allowance when you retire because it is based on the benefits you actually get. You can check how much Lifetime Allowance you have used up with our online Planner by registering or logging in to myRPS at **railwayspensions.co.uk.**



Tapered Annual Allowance

You will need to think about all your income over the tax year, such as earnings from work, your pension savings, and any other sources like shares and buy to lets. You will be affected by this Allowance if this combined income is over £150,000 and your taxable income is over £110,000.

Money Purchase Annual Allowance

This tax limit is £4,000. You could be affected if you take money from your additional voluntary contributions (such as BRASS or AVC Extra), and then pay more in.

Does tax drive you nuts? Sid the Squirrel is here to help. Watch him in action at railwayspensions.co.uk/your-pension-tax-limits.

Big change in **State Pension age**

The State Pension age is now the same for men and women.

The change has been gradually phased in and finally came into effect on 6 November 2018.

It means that both men and women can only claim their State Pension from the age of 65.

Your Rail pension is not affected as it is covered by Scheme Rules, not government legislation.

How the State Pension age has changed

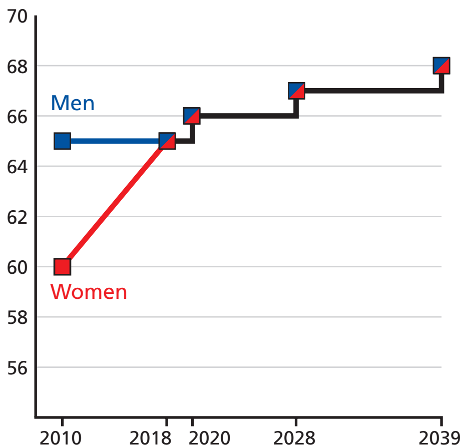
Until 2010, women could claim their pension at age 60, and men at 65.

From 6 November last year, everyone can now only claim from age 65.

The State Pension age will rise again to 66 by October 2020, and to 67 by March 2028.

Yet another rise to age 68 is proposed by March 2039.

State Pension age changes



Why is the age rising? Because people are living longer. Successive governments have been worried that the State Pension is becoming too expensive to maintain in its current form.

Work out when you can start claiming your State Pension at **gov.uk/state-pension-age.**

Your questions answered

What is the level pension option?

You might want to retire and claim your Scheme pension – but your State Pension age has gone up. How can you bridge the gap in income until you can get your State Pension?

The Scheme – like some other defined benefit pension schemes – has a level pension option which could help ‘balance out’ your retirement income.

It means your RPS pension is:

- increased before you reach your State Pension age, and
- reduced after you reach State Pension age.

Your maximum tax-free lump sum may also be higher.

If you use this option, it will be taken into account when your Annual Allowance and Lifetime Allowance is worked out.

> It’s always a good idea to get independent financial advice before deciding how to use your pension, as RPMI can’t offer you any personal guidance.

Can I take a cash lump sum?

You **might** be able to take all yout RPS benefits as a cash lump sum. If you’re eligible, up to 25% of the lump sum is tax free and you pay income tax on the rest.

Depending on your Section’s Rules and your personal circumstances, you could take a lump sum from age 55 (or earlier if you can take your benefits from age 50 or you’re seriously ill) and if:

- the total value of all your pension savings is less than £30,000, or
- your Scheme pension is worth less than £10,000, regardless of your other pension savings. You can do this for up to three different pensions.

Working to **retirement**

Your Scheme pension will be part of your income when you retire. Map the basics of your pensions planning.

1 Starting out

How much should I pay in?
As a rough guide, halve your age at the time you joined the Scheme and use this as the percentage you should be contributing every month.

For example, if you're aged 30, aim to pay 15% of your salary – if you're 40, aim for 20%.

There's no limit on what you can save, but watch out for excess tax charges. See page 3 for details.

How much do I need?
As a rule of thumb, you'll probably need about 50 to 75 per cent of your current income when you retire, depending on your retirement plans. This assumes you're mortgage free, have no dependants etc.

Figure out your basic costs with the Lifestyle Calculator. Register or log in to myRPS at **railwayspensions.co.uk** and go to the **'Planning my future'** section.

2 Steady saving

Check how your Scheme benefits are building up. Log in to **myRPS** to see your latest estimate in the **'My pension'** section.

If you can afford it, consider putting some of any pay rise or bonus you get into your pension. Save more by investing in the Scheme's BRASS Additional Voluntary Contribution (AVC) arrangement. Visit **railwayspensions.co.uk/BRASS.**

If you are already a BRASS member, take time to check your investment fund choices. You can do this online if you're registered with **railwayspensions.co.uk.**

You can also change your funds if you're not happy with how they are doing. It's a good idea to get independent financial advice first.

3 5-10 years from retirement

Request a State Pension estimate at **gov.uk/check-state-pension.**

If you're a BRASS member with self-select funds, you may want to switch to lower-risk investments from the available range to help protect your investment value.

Your Member guide will tell you how you can take your benefits. Download a copy by logging in to your myRPS account at **railwayspensions.co.uk** and go to **'My Library'.**

Lost track of a pension?
Try **gov.uk/find-pension-contact-details.**

4 Time to retire

Get your final State Pension quote at gov.uk/check-state-pension.

You have to claim your State Pension – you won't get it automatically. A reminder is sent two months before you're eligible, telling you what to do.

Request an estimate of your Rail benefits from pensions administrator RPMI by emailing csu@rpmi.co.uk. This estimate will based on the most recent pay details held for you.

Let RPMI know how you want to take your benefits when you fill in your Application for Benefits form. You're recommended to get an estimate first.

And finally – everyone's circumstances are different and we all have bills and other outgoings to think about. It's a good idea to start saving what you can afford as soon as you can afford to.

Did you **know...**

Your Scheme takes a great deal of care to invest in companies which have a responsible working culture, and look after their staff and the environment.

We believe that companies like these are likely to do better financially in the long term. By investing in them, they help us pay your pensions.

RPMI Railpen manages the Scheme's investments on your behalf. We have a wide range of shares, which means we can hold companies to account on their management and environmental practices.

We are also passionate about climate change. For example, we joined 88 other investors (with collective assets of around $10 trillion) to call on power companies to speed up decarbonisation efforts and move towards a net-zero carbon economy.

See **railwayspensions.co.uk/resources/sustainable-ownership-report** for details.

What do you think?

Please answer our short survey and tell what you think about Review. It only takes two minutes!

Your feedback is very important to us. Your views will help us improve your newsletter and shape the communications we send to you about your pension in the future.

Scan the QR code or visit **www.surveymonkey.co.uk/r/ReviewFeb19**

A **BRASS** check-up

1 What's your BRASS fund worth?

Find out straight away by logging in to **railwayspensions.co.uk** and looking under **'My AVCs'**. This is an estimate of your fund's current value and not guaranteed.

2 Pay more – or less

If you want to increase, reduce or stop paying into BRASS, download a BRASS Payroll Deduction form from **railwayspensions.co.uk/resources**, fill it in and return to your employer. Your employer will do the rest!

3 Keep an eye on your investments

You can see how your funds are doing in your **myRPS** account under **'My AVCs'**. Don't forget that investments can go down in value as well as up, so in general, should be seen as medium to long-term savings.

4 Want a change?

Log in to myRPS to check the available fund range and switch investments if necessary. You are strongly advised to take independent financial advice first.

5 Save even more

If you are already paying the maximum into BRASS, you may be able to save more with AVC Extra. Learn more at **railwayspensions.co.uk/avc-extra.**

6 Don't forget...

To check your BRASS funds regularly to make sure they're still right for you.

Your **BRASS birthday statement**

If you pay into BRASS, you will get a statement each year in your birthday month.

It shows:

- The current value of your BRASS savings
- How much you are paying in
- Where your money is currently invested

The statement is for your BRASS savings only. It is **not** the total value of your Scheme pension. Register/log in to **railwayspensions.co.uk** and look under **'My pension'** to see the total value of your benefits in your Annual Pension Estimate.

What I've learned about my pension

By Mike Watkins, newly retired member, Greater Anglia Section.

I joined the RPS when I started work as a 17-year-old apprentice with BR in Derby, and went on to enjoy a fulfilling 37-year career in locomotive and rolling stock maintenance.

I enrolled in BRASS in 1988, but it wasn't until I was 39 that a former manager and friend retired at 55 and suggested I ought to consider increasing my BRASS contributions to the maximum possible.

I duly took his advice, and adjusted my weekly payments – which are deducted before tax of course!

I started planning for retirement three years before my chosen date. The financial planning was straightforward, obtaining a couple of pension estimates from RPMI, which I matched against my annual outgoings.

I drew up a personal budget as a means of estimating what scale of lump sum I would need, such as a new car in 10 years' time, home maintenance and holidays etc.

This is where my accrued BRASS holdings came into their own, enabling me to take an annual pension and lump sum that suited my plan.
I found the RPMI team and members' online information and tools very helpful when planning my retirement. The support provided by RPMI to its members along with BRASS are, in my opinion, two of the key benefits of the Scheme.

The other important part of planning which should not to be overlooked is lifestyle change – retiring from a busy and structured working environment such as the rail industry can be a daunting prospect!

Spending time preparing for this change is as important as making the financial preparation.
I found that talking with retired friends and acquaintances helped greatly with this.

If I was to offer advice to those approaching retirement, I would suggest considering saving as much as possible into BRASS (but recognising that daily life still has to be paid for!). I opted not to engage a financial adviser, but certainly would have done if I was looking to invest a large lump sum.

"I've been retired since May 2016, and don't think that I would change anything in hindsight."

My Scheme membership means that I now have the time to do the things that I enjoy most, safe in the knowledge that it provides financial security for myself and my wife for the rest of our retirement.

Mike has kindly contributed this case study as a personal viewpoint of the RPS.
Please note that the Trustee, your employer and RPMI can't offer you financial advice. It is strongly recommended that you seek independent financial advice before making any decisions about your pension or retirement planning.

Pension news in brief:

This regular feature looks at developments in pensions which may be relevant to you as an active member of the RPS.

Autumn Budget

This year's Budget was delivered on 29 October 2018. Although there had again been rumours of changes to pensions in the run-up to the Budget, there were no major pension-related announcements made within it. There were, however, some minor ones, such as:

- The Lifetime Allowance will increase by the September 2018 CPI figure of 2.4%, which will lead to an increase from £1,030,000 to £1,055,000 with effect from 6 April 2019.

- The government will work closely with the pensions industry, and provide some funding, to support the development of pensions dashboards. Further information about pension dashboards is in the article, right.

Following the Budget, the ban on pensions cold-calling is now in force.

This means that it is illegal for individuals to be contacted by phone about a possible transfer of pension benefits.

Pension dashboards

The idea of pensions dashboards was first announced in the 2016 Budget as a way to help people to see information about all their pension savings, including their State Pension, in one place. It is estimated that over £400m is sitting in pensions that people have lost contact with.

The government has recently announced that it hopes for a first dashboard to be introduced in 2019-20 by the new Single Financial Guidance Body (SFGB). Other pensions-industry dashboards are then expected to follow so that individuals can choose which one to use.

Once pensions dashboards are up and running, we will provide further information in a future issue about where to find them and how to use them.

GMP equalisation

On 26 October 2018, a High Court ruling was released on Guaranteed Minimum Pension (GMP) equalisation for the Lloyds Banking Group's pension schemes. You may have GMP as part of your RPS benefits if you were an active member before 6 April 1997.

The High Court ruling was that the schemes must address the effect of inequalities caused by GMPs and ensure benefits are equalised to reflect their impact.

Although the judgment relates to the Lloyds Banking Group, it also creates a precedent for other formerly contracted-out defined benefit schemes, such as the RPS.

The Trustee has started to receive advice from its advisers on how to deal with GMP equalisation in the RPS and will communicate how it proposes to deal with this issue as soon as it can. GMP equalisation projects will be typically be a complex undertaking for most schemes and take a significant time to complete.

As background to the issue of GMP equalisation, inequalities arise as GMPs accrued at different rates for men and women, are payable from age 60 for women and age 65 for men and are increased in different ways to non-GMP.

The equalisation between genders required under the Lloyds judgment would apply to GMPs earned between 17 May 1990 and 5 April 1997. Although some members will require an uplift to their benefits as a result of GMP equalisation, many members will not be impacted at all. No members will have their benefits reduced.

We will provide you with more detail on GMP equalisation and likely timescales for the project for the RPS in a future edition of Review and on the member website.

You're **wanted!**

You could play a big part in helping support your fellow RPS members with their retirement planning.

The Scheme produces a lot of communications – such as videos, newsletters and web content – to help members like you understand important matters about their pension benefits.

To ensure we're continuing to get things right and meet members' needs, we'd like to hear your views on these communications as they're being developed. You just need to spare a few minutes to go online and give us your opinions.

If you're interested or would like to find out more, please get in touch by emailing **review@rpmi.co.uk.**

Useful contacts

The Single Financial Guidance Body - for general pensions guidance, contact the new Single Financial Guidance Body tel: **0115 9659570** or email **contact@singlefinancialguidancebody.org.uk**.

This service replaced the Money Advice Service, The Pensions Advisory Service and Pension Wise from January 2019.

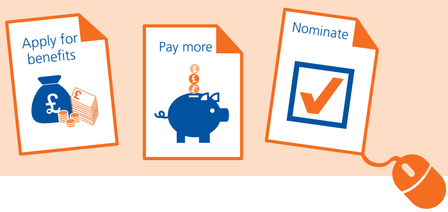
Gov.uk – the official government website has lots of easy-to-understand information about pensions, tax and National Insurance.

Citizensadvice.org.uk – provides free, independent, confidential and impartial advice about your rights and things you should think about when setting up a pension and getting near to retirement.

Unbiased.co.uk – if you need help with your financial and retirement plans, visit this site for a list of independent financial advisers in your area.

Find the form you need

It's easy to manage your Scheme pension online with a myRPS account at **railwayspensions.co.uk**. You can also download and print off a range of useful forms if you want to. You can find them all at **railwayspensions.co.uk/resources.**



Don't hang on, hang up!

Pension cold-calling is now illegal.

The ban came into force on 9 January 2019, and means unsolicited phone calls, texts and emails are against the law.

Fraudsters use cold calling to try and steal your life savings or tempt you to invest in a high-risk scheme which is totally unsuitable for your pension.

A scam usually starts with an unexpected call, text, email or social media message. Other warning signs are:

- Promises of a tax-free lump sum worth more than 25 per cent of your pension's value
- Early access to your pension before the age of 55
- Pressure for a quick decision
- Get-rich-quick investments 'guaranteeing' a high return
- No company contact details – just a mobile phone number or PO Box address

Cold calling is now banned, but you should still be on your guard. Remember! If you take cash early, you face a hefty tax penalty. If you transfer it overseas, it could vanish forever.

Get in touch…

Your Scheme pension

Your website **railwayspensions.co.uk** offers lots of information about your RPS pension.

If you can't find the answer you need, email **csu@rpmi.co.uk** or telephone the helpline on **0800 2 343434** (Monday to Friday, 8am-5pm).