

re:view



Shine a light
on your retirement plans

See your future more clearly with easy, online pension-planning tools

If you know what your income is likely to be when you retire, it's much easier to steer a clear course to life after work.

There are 2 ways to find out what your pension is expected to be when you retire, if you're a member of the RPS.

1 Request a pension estimate online.

2 Use the online pension planner.

Each should give results within minutes* and you can do it any time.

1. How to request a pension estimate

- Log into your myRPS account. Under the 'My Pension' section, select 'Request an estimate of Retirement Benefits'.
- Select the 'Get an estimate of your retirement benefits' button to take you to the estimates page.
- Choose your options and select 'submit'.

2. How to use the Pension Planner

- Once signed in to your myRPS account, under the 'Planning for the future' section, select 'Pension Planner'.
- Read the information, change your options if you'd like and select 'Click here to recalculate'.

As well as working out what your annual pension is likely to be, the Pension Planner will show:

- how much lump sum you could take when you retire and how it would affect your annual pension
- the expected value of your Additional Voluntary Contributions (AVCs), or BRASS. (See page 12 to find out more on BRASS).

Experiment with the planner!

Why not try different scenarios with the planner to see what your annual pension could be as a result?

*With more complex pensions, this could take longer (up to 10 working days).

Chair's message...

Welcome to the first Review newsletter of 2022.

Here's hoping February finds you full of energy and enthusiasm for the year ahead.

You'll find this lively edition of Review is full of interesting pension news, guidance and features.

We're very proud and excited to have launched our latest Sustainability Ownership Report. This shows how you're all helping to make the world a better place through the Railways Pension Scheme. Find out more on page 3 opposite.

Tax can be tricky. We've noticed from our newsletter surveys, that many of you have asked us to explain how tax affects your pension, so we've covered this topic on pages 4 and 5.

And we explore pension transfers too. How risky are they? All is revealed on page 7.

February isn't usually the brightest of months, so what better time to get to grips with your pension?

None of us likes the thought of sorting out our retirement income, but by taking the time today, to work out what you're likely to get tomorrow, you will reap the rewards.

And the Railways Pension Scheme has so many great, easy online tools that can work it all out for you, there's no excuse not to sort it out now!

It means you can make any necessary adjustments now, keep track, and then plan ahead for the retirement life you want and deserve. See how on our front page.

We hope you enjoy this newsletter. Please let us know your thoughts by completing our online survey, which you'll see on page 12. We look forward to hearing from you.



Best wishes

Chris Hannon, Trustee Chair

Will your pension give you a comfortable life?

Seeing what your chosen retirement lifestyle may cost in advance will help you to know if you're saving enough for the future.

You can use our simple, online Retirement Budgeting Calculator to see how much you'll need for the life you want.

You'll already have a good idea of what your annual pension is likely to be, if you've requested an estimate or used our Pension Planner (see front page of this newsletter).

Then, by using our Retirement Budgeting Calculator you'll see if your expected pension income matches your lifestyle costs.

If there's a shortfall, you may need to make adjustments. You could contribute more to your pension with BRASS (see page 12), change your retirement age, or adjust your lifestyle plan.

You can find the Retirement Budgeting Calculator under the 'Resources' section of [railwayspensions.co.uk](https://www.railwayspensions.co.uk).

New social media

We're excited to announce that we've now launched a Twitter feed for RPS members.



Please take a moment to visit our Twitter page and select 'Follow'. We look forward to bringing you useful information and guidance on your pension.

Join us at [Twitter.com/RPSPensions](https://twitter.com/RPSPensions)

Investing for the best outcomes

The Railpen Sustainable Ownership report

Did you know your pension is helping us all move towards a better, more sustainable world?

At Railpen, we have a huge responsibility to you, our members, to consider investments which will suit you, and offer you successful returns over the years.

And we can also use our considerable influence and investments to help drive positive change in the world.

Our Sustainable Ownership Report 2020

To explain how we do this in more detail, we have published our Sustainable Ownership Report 2020, aimed specifically at members. You can read more and find a link to this report in the 'Resources' section of your member website: railwayspensions.co.uk. The report lets you, as a member of the Scheme, know:

- Why we consider sustainability issues in our investments decisions and activities
- How we work to make sure the companies we invest in are behaving responsibly on these issues
- What we have done on your behalf so far
- What we will continue to do

How we can achieve the best returns

You and your employer both pay contributions while you're an active member of the Railways Pension Scheme.

Your contributions are then invested in different ways. We do this to achieve the investment returns needed to give you an income in retirement.

But when we make investments in companies, we carefully consider their environmental, social and governance (ESG) concerns.

Some examples of ESG issues

Environmental

Concern for conservation, climate change and carbon emissions, air and water pollution.

Social

Care of people and communities, data protection and privacy.

Governance

A company which is well-managed by knowledgeable and diverse individuals, including an experienced and expert audit committee.

We look at companies' ESG behaviours. Do they operate honestly and effectively? Do they treat their staff well? Do they care for the environment and the communities they serve and operate in?

Companies that follow these high quality standards are more likely to outperform others in the long run. Where companies could do better, we will work with them and challenge them to improve.

By investing in and working to achieve responsible, well-run companies, we can help improve the impact of organisations and individuals on the wider world.

We think this is the best way to protect and increase the value of your savings, giving you a good retirement outcome.

Buying stakes in a company gives us rights, but it also gives us responsibilities.

If you'd like to let us know your views on the report, or any other issues about Sustainable Ownership, please get in touch via email at so@railpen.com.



Tax and your pension - your questions answered

Pension tax can often be a complex maze. Here are answers to some frequently-asked questions.

Q: What are the advantages of saving for retirement with a pension?

A: The great advantage of saving for retirement via a pension, is that some of the money that would normally have gone to the government in tax, goes towards your pension instead and increases your savings. This can be a large amount if it's saved over many years.

Q: How does pension tax relief work?

A: There are two ways you can get tax relief on your pension contributions. These are known as relief at source and the net pay arrangement. Contributions to the rail pension schemes are via the net pay arrangement.

Net pay arrangement

Your pension contributions are deducted from your pay before you are taxed. This means that you will usually pay less income tax because your tax will be calculated based on a lower amount of earnings.

With this method, whatever rate of tax you pay, you get full tax relief without having to claim it. However, if you don't pay tax, this method means you won't get any tax relief.

Q: Are there any limits on the amount of pension I can save and still benefit from the tax relief?

A: You can put as much money as you want into your pension, but there are restrictions on the amount of pension savings that can benefit from tax relief each year and over your lifetime.

Q: What type of tax allowance could affect the amount of tax relief I can get?

A: The main tax allowance affecting members of the Railways Pension Scheme who are in a defined benefit (DB) arrangement is the **Annual Allowance**. The **Lifetime Allowance** and the **Tapered Annual Allowance** may also apply to high earners.

The **Money Purchase Annual Allowance** (MPAA) is only triggered if you start to take money from a defined contribution (DC) pension pot in a flexible way such as using drawdown. You should notify Railpen if you trigger the MPAA in another scheme.

Q: How much can I save into my pension before having to pay tax on it?

A: The amount of pension savings you make and get tax relief on may vary at the start of each financial year in April. Watch our website at railwayspensions.co.uk at this time as we will post a news item about any changes.

- The Annual Allowance (AA) is the limit on your pension savings in a single tax year before you need to pay a tax charge. For the year 2021/2022, this limit is either 100% of your annual earnings, or £40,000, whichever is lower.
- The Lifetime Allowance (LTA) is the limit placed on your pension savings throughout your lifetime before you need to pay a tax charge. It affects those with the largest pension savings. For the tax year 2021/2022, it was set at £1,073,100.
- The Tapered Annual Allowance is a lower Annual Allowance and may affect you if your income is over £200,000.
- The Money Purchase Annual Allowance is currently set at £4,000 and may be measured against any DC contributions you make.

Q: How will I know if I've exceeded the Annual Allowance?

A: If your pension savings in the Railways Pension Scheme are greater than the Annual Allowance or the Money Purchase Annual Allowance applies and you exceed it, then we will send you a Pension Savings Statement (PSS) that will detail how much of the AA you have used.

You can apply to carry forward any AA that you haven't used from the previous 3 tax years to the current tax year. This rule can be used to make occasional top-ups to pension savings without having to pay an extra AA charge.

Q: What is salary sacrifice tax?

A: Your employer may offer you an option of salary sacrifice (sometimes known as SMART contributions) as part of their pension provision. This is a way to make your pension saving even

more tax-efficient and could mean your take home pay increases. Not all employers offer this.

If you can choose salary sacrifice, then you and your employer will agree to reduce your salary, and your employer will then pay the difference into your pension, along with their contribution to the Scheme. Because you're getting a lower salary, your National Insurance contributions are reduced so you pay less tax.

Q: Do I pay tax on my pension when I'm retired?

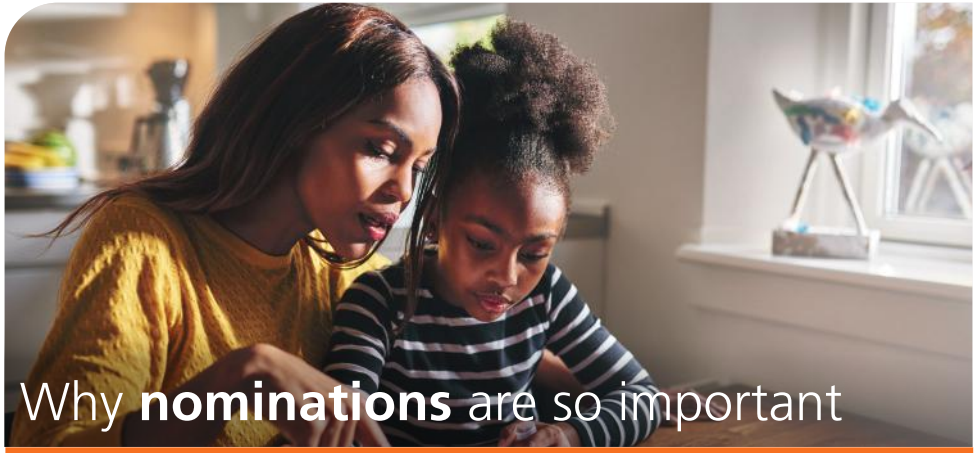
A: When you're retired, you still have to pay Income Tax on any income which is over your Personal Allowance. This applies to all your pension income, including the State Pension. However, your lump sum will be tax free.

For 2021–2022, the Standard Personal Allowance for a single person is £12,570. This means you're able to receive up to £12,570 in this tax year and not pay any tax. Anything above this amount is taxed.

Your Personal Allowance may be lower than £12,570 if you're a high earner and your adjusted net income is over £100,000. If you qualify for Marriage Allowance, then your Personal Allowance will be higher.

For more details on tax and your pension, you can see our online Read as you Need guides, as well as a series of short videos. These can be found in the resources section of your member website at railwayspensions.co.uk.





Why **nominations** are so important

Many people believe that the plans made in their will include their pension, but this is not necessarily the case.

Unlike your property, savings and other investments, your railways pension does not form part of your estate on your death, and that means it won't be covered by your will.

If you're a member of the Railways Pension Scheme and you die before you've claimed your pension, or sometimes even shortly after you've started to receive your pension, a tax-free lump sum may be payable to your loved ones. This is not a fixed amount and depends on the benefits you have built up over the years, but it could be a considerable sum.

Exactly who gets this money is down to the Trustee of your pension scheme, but they need to know where you would like it to go. If they don't know, then there may be a delay in paying it out, it may go to someone you may not want it to go to and the money may also be taxed, which will reduce the final sum considerably.

So, to ensure that your money ends up in the right hands after your death, and avoids being taxed, you need to let us know, by completing a 'nomination'. It will just take you 2 minutes and is so easy to do.

How to make or update your nominations

Log in to your online pension account at railwayspensions.co.uk. You'll find the nominations page in the 'My Pension' section. Click here and you'll be taken to a simple online form to complete. There is more information here, as well as a short explanatory video to watch if you need it.

If you already have a nomination, remember to keep it up to date. Life takes many twists and turns and the person or people you may have wished to benefit 10 years ago, may not be the same today.

Let's face it, most of us put the thought of death and death benefits on the back burner. It's not a cheerful subject, but like it or not, it will happen!

And failure to complete your form before your death could cause a lot of problems for those you leave behind.

Don't delay. Complete your nomination today!

Wouldn't you like to be remembered as someone who really made a difference, after you've gone? Do your nomination today and they'll appreciate it forever.

Transferring your pension – is it worth it?

If money is tight, but you've saved a fair amount into a defined benefit pension, it's understandable to want to get your hands on that money now! And if you're 55 or over, you're legally allowed.

But wait...it's tempting, but is it really that sensible? Find out what it could mean for you here.

- The main advantage of your defined benefit pension is that it will pay you a regular income until you die - as well as a regular income to a surviving spouse or dependant. If you give this up now, you're swapping a guaranteed income for life, for money that could run out surprisingly quickly, leaving you with nothing.
- A single person needs roughly £20,000 a year for a moderate standard of living in retirement*. So, if your transfer value is £200,000, although it sounds like a lot, realistically it would only last about 10 years, and that's without any luxuries.
- And remember only the first 25% is tax free, so you'll have to pay tax on the remaining 75%.
- By law you may have to prove you've taken professional financial advice before you transfer your pension, if its value is over £30,000. The cost of good, independent advice can be expensive.
- If your money runs out, the State Pension is unlikely to be enough to live on comfortably. Full entitlement for a single person is only about half what you'd need for a moderate standard of living.

On the other hand, transferring from your pension might not be a bad idea:

- if you have enough money from other sources to fund a good, guaranteed retirement lifestyle
- in exceptional circumstances like extreme ill-health, transferring your defined benefit pension may mean you can leave a larger amount of money behind in the event of your death.



So please think very carefully before you take the plunge. It may sound like a great idea for now... but what happens a few years down the line?

You can find more information about transferring your pension, along with a video, in the 'Planning for retirement' section of the member website, railwayspensions.co.uk.

In November 2021, the government introduced new regulations around transfers. Under the new rules, you must provide documents or 'evidence' to verify that the scheme or provider you want to transfer your pension to is secure. The evidence we need depends on the type of scheme you're transferring to. You can find more information on what we need at railwayspensions.co.uk/pension-transfers.

*Figures taken from retirementlivingstandards.org.uk

Pensions made plain

Pensions can be complicated and sometimes the language used in official pension information doesn't help. Here are 3 examples of terms often used in formal pension communications, with simple explanations.

Protected Pension Age (PPA)

This means you may be able to claim your pension benefits from age 50 if you were a member of the Railways Pension Scheme on 5 April 2006. If you can't claim your benefits from age 50, the earliest age you can claim your pension is 55. If you're logged into myRPS, you can check to see if you have Protected Pension Age status in your Membership details in the 'My pension' section of your account.

Protected Person

If you were a member of the British Rail (BR) Pension Scheme and were employed by the BR Board at midnight on 4 November 1993, you became a 'Protected Person' or 'Protected Member'. This means your pension rights in the Railways Pension Scheme must be as favourable as the rights which the BR Pension Scheme provided

on 31 May 1994. Your employer has a legal obligation to provide you with access to a pension scheme which meets these requirements. You will no longer be a Protected Person if you leave your current employer or decide not to remain a member of the Scheme.

Indefeasible Right

This refers to your 'Protected Person' status and is your statutory right to continue to be a member of the Scheme. You have the 'indefeasible right' if at midnight on 4 November 1993 you were in the BR Pension Scheme and were employed by the BR Board.

For full details, please see our online Read as you Need guides: 'Protected Pension Age' and 'Guide to your protected rights' in the 'Resources' section of your member website railwayspensions.co.uk.

Protect yourself from scams

Beware! Pension scams are increasing.

According to Action Fraud, thousands of victims each year are losing their pensions through crime.

Scammers are often charming, persuasive and financially knowledgeable, so no matter how savvy you are about money, you must be on your guard.

Suspicious? For more information, visit fca.org.uk/scamsmart, or call The Money and Pensions Service (MaPS) on **0800 138 7777** for free pensions guidance and information.

See 'Safety and scams' in the 'Resources' section of our website at railwayspensions.co.uk.

How to protect yourself

- 1 Always reject unexpected calls, emails, texts or social media approaches about pensions.
- 2 Be very wary if you're offered a free pension review.
- 3 Never allow yourself to be rushed into a decision.
- 4 If a pension or investment offer sounds too good to be true, it probably is.
- 5 Do your own research on anyone offering you financial advice. Check the Financial Conduct Authority (FCA) register at fca.org.uk or call **0800 111 6768** to make sure that they are FCA-authorised.

A guide to your Annual Benefit Statement

What's an Annual Benefit Statement?

If you're a member of the Railways Pension Scheme, you will receive an Annual Benefit Statement (ABS) in the post every year, during your birthday month.

Your Annual Benefit Statement is a yearly summary of your pension savings. Along with more detailed calculations, it tells you about the savings you have now, and what they could be worth in the future.

You can also download copies of your latest Annual Benefit Statement. Here's how:

- Log into your myRPS account online at railwayspensions.co.uk
- Under 'My Pension', select 'View statements and estimates'. Here you can download a PDF of your latest statement.

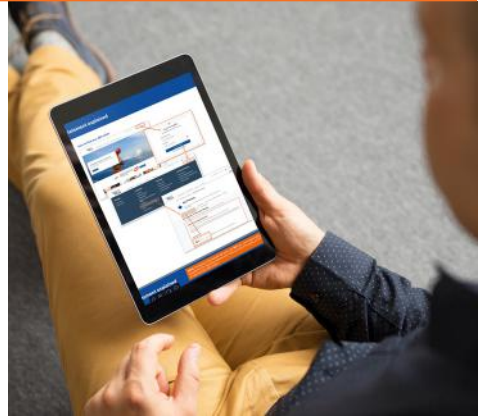
A new visual guide to your Annual Benefit Statement

There is now a visual guide to your Annual Benefit Statement on your member website, featuring an example defined benefit (DB) statement, with on-screen explanations of each section.

If you have your own Annual Benefit Statement to hand, you can now run through it, together with the explanations displayed on your website.

See the Guide to your DB Annual Benefit Statement in the 'Read as you Need guides' section, under 'Resources' in the RPS website.

The information in your Annual Benefit Statement is based on your own personal membership details and the rules of your particular Section.



As well as other pension information applicable only to you, your Annual Benefit Statement will show:

- Your membership details, including your normal retirement date
- How much both you and your employer pay in
- AVCs, if you pay them
- Options for how you might choose to take your benefits
- What you are likely to get:
 - if you worked to your normal retirement date, and
 - if you left the Scheme within a month of the date of the statement.

Keep your Annual Benefit Statement safe. As well as with any pension estimates you request, or results from our online pension planner, it may help you when you're making important decisions about your retirement.

Your Member guide has more information about your benefits and how they are worked out. If you're logged in to your online account, the Member guide can be found under 'My library'.

Get the picture on retirement

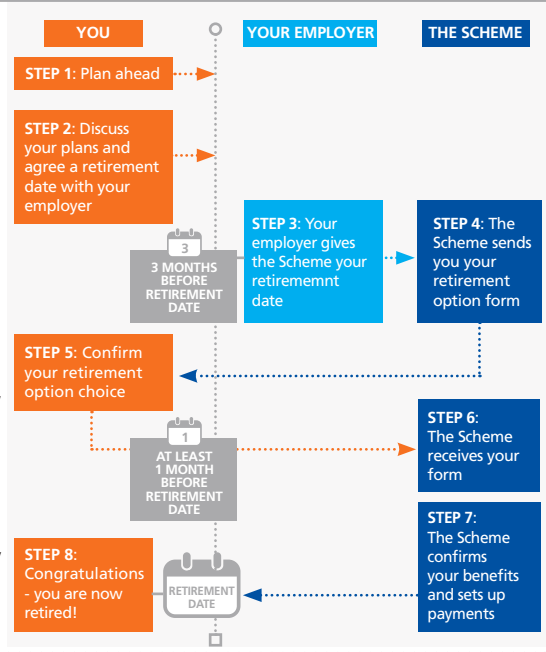
Getting close to retirement? Congratulations! It's nearly time to relax and take it easy.

Even if your retirement is a long way off, it's never too early to prepare. On your website, [railwayspensions.co.uk](https://www.railwayspensions.co.uk), you can use our simple, online tools - the pension planner and the retirement budgeting calculator - to get an idea of what your pension is likely to be and whether you need to make adjustments. You can also request online pension estimates. Find out more on pages 1 and 2 of this newsletter.

Your retirement options explained in a video

There are a number of choices available to you when you retire. If you're aware of these in advance, you can make the best decisions beforehand.

We've made a short video that explains the different routes available for retirement. Go to the 'Resources' section of the RPS website at [railwayspensions.co.uk](https://www.railwayspensions.co.uk) and select 'Video library', then go to 'Your retirement options' and watch the video for defined benefit (DB) members.



Have your say!

Whatever your views, we want to hear from you.

Do you enjoy reading this newsletter? Do you care about your pension, like to share your opinions, and have a few minutes to spare?

If you join Platform, our volunteer communications panel, you can make sure your views are heard. You could also help shape the way we communicate in future.

As a thank you for getting involved, you'll be entered into our prize draw with the chance to win £150 worth of shopping vouchers at the end of 2022.

Sign up to Platform now at [railwayspensions.co.uk/platform](https://www.railwayspensions.co.uk/platform).

All you need is your:

- name
- date of birth
- pension reference number, which you can find on the message enclosed with this newsletter.



Pension news round-up

Tax relief glitch to be fixed

From 2024, top-up payments will be made to low-earners who are members of occupational pension schemes that use the “net pay” method of pension tax relief.

The “net pay” method is used by most occupational schemes, including the Railways Pension Scheme. This way, pension contributions are deducted from your pay before tax is deducted. You then pay tax on your UK earnings minus your pension contribution. As a result, your tax bill is usually lower and you get more take-home pay. However, members who do not earn enough to pay income tax currently can't benefit from this tax relief.

From 2024, this is likely to be balanced out with a top-up payment for those members.

State Pension and benefits to increase by 3.1%

The Autumn Budget confirmed that the wages element of the “triple lock” will be suspended in the 2022-23 tax year. The triple lock is a government commitment to increase the value of the State Pension by the highest of:

- inflation (using the Consumer Price Index)
- increase in average wages, or
- 2.5%.

Due to concerns that the pandemic and the end of furlough schemes had artificially increased wages, the government is intending to suspend the triple lock for the 2022-23 tax year.

This would mean that the State Pension would either rise at the rate of inflation or at 2.5%.

The Department for Work and Pensions has now confirmed the State Pension will increase in line with inflation, which means it will rise by 3.1%.

So from April 2022, the basic State Pension will increase to £141.85 per week and the full rate of the new State Pension will increase to £185.15.

Normal Minimum Pension Age increase

The Finance Bill 2021-22 includes a measure to increase the normal minimum pension age (NMPA) from 55 to 57 in April 2028.

The NMPA is the earliest age at which most pension savers can access their pensions without incurring a tax charge, unless they retire due to ill health.

The NMPA has been 55 since 6 April 2010, unless a member has a Protected Pension Age (PPA) which allows them to take their pension benefits between 50 and 55.

To reflect the increase in NMPA, protection known as ‘new PPA’ will be introduced to allow members to keep a NMPA of 55.

The new PPA will only apply to members of schemes with rules giving the right to take pension benefits before age 57, including active members of the Railways Pension Scheme, if you were a member before 4 November 2021. New entrants joining from 4 November 2021 will have a NMPA of 57

Members who already have a PPA of 50 will not be affected by this new PPA or the increase in the NMPA.

This is still draft legislation and could change.

You can see an explanation of the Protected Pension Age (PPA) on page 8 of this newsletter.

Investing in your retirement

Additional Voluntary Contributions (AVCs) are extra, tax-free contributions that you can make on top of normal pension contributions. The Railways Pension Scheme's in-house AVC arrangement is called BRASS.



BRASS is a great, tax efficient way to save more for your retirement.

If you decide to join BRASS, the money you pay into your BRASS account is invested with the aim of 'topping up' your main Scheme pension for when you retire.

You can choose your own RPS investment funds from a range offered to you. If you don't wish to make your own choices then your money will be invested in the default arrangement.

Here's why members like BRASS

- You don't need to save a set amount every month.
- You can put payments into BRASS which don't qualify for your pension (like overtime and bonus).
- You get tax relief on anything you put in (up to the remainder of your Annual Allowance).

Choose your own investments

- If you wish to manage your own BRASS investments, we offer selected fund options and give you lots of guidance, as well as risk ratings on each fund, to help you decide which are best for you.
- You can view the performance of your funds online and change them anytime.
- Be aware there's always a risk that investments can go down as well as up.
- If you don't choose your own investments then your money will be invested in the default arrangement.

If you want to pay more than the BRASS maximum, we offer AVC Extra (not available to Network Rail members).

See our Guide to BRASS in the Read as you Need guides at railwayspensions.co.uk.

Getting in touch...

The RPS website, railwayspensions.co.uk, offers lots of information about your RPS pension.

If you can't find the answer you need, email csu@railpen.com or telephone the Helpline on **0800 012 1117** (Mon to Fri, 8am-5pm).

Survey time

Help us improve Review! Your feedback matters. Tell us what you think at:

www.surveymonkey.co.uk/r/ReviewFeb22 or complete our survey by scanning this QR code. It will only take 5 minutes.

