

Guide to your retirement options from the Railways Pension Scheme

This guide may be useful to you if you are contributing/have contributed to a Defined Benefit scheme and are thinking of retiring. It covers the different types of retirement and the options that may be available to you, including:

- Budgeting and planning
- Types of retirement
 - Normal retirement
 - Early retirement
 - Late retirement
 - Ill-health retirement
 - Taking your benefits early while working
- Taking your benefits and starting work again
- Your options when you take your benefits
 - A lump sum
 - Extra pension for your dependants
 - Level pension
- Additional Voluntary Contributions (AVCs)
 - BRASS
 - AVC Extra
- Important notes
 - Where to go for advice
 - Pension Scams

Budgeting and planning

Retirement can mean a big change to your lifestyle and finances so you need to plan ahead and know what to expect.

You can get advice on how to manage your money and avoid problems, the choices available to you, and how a change in your circumstances, such as births, death or divorce, could affect your financial situation, including your pension. You can find help at moneyhelper.org.uk

Types of retirement

When you come to take your pension benefits, you are not restricted to doing this at your normal retirement age (NRA). You could choose to take them earlier or possibly later if you would like.

Normal retirement

Your NRA is the age at which you can start taking your benefits, without them being reduced is usually between the ages of 60 and 65.

If you are unsure what your NRA is, you can check this in your Member Guide, in the Library (after you have signed in to your myRPS account).

Early retirement

You may be able to claim your benefits before you reach your NRA. However:

- your benefits will be reduced if you're under your NRA. How much lower your payments are, depends on the 'early retirement factors (ERFs),' that will be applied. You can find the ERFs for your section in your Member Guide. It shows the ERFs at different ages in years. If you take your pension benefits on a date other than your birthday, the ERFs will reflect your age in years and months.
- you won't be covered for the death-in-service lump sum; and
- you'll no longer be eligible for ill-health benefits

There are also restrictions if you are planning to take your benefits and continue working (see the "Taking your benefits early while working" section below).

Late retirement

As long as you remain an active member, you will continue paying into your pension and your benefits will continue to grow.

If you stop being an active member, you may be able to defer taking your pension up to the age of 75. This is known as late retirement.

This means your benefits will be paid at an enhanced rate when you eventually take them. Late retirement factors will be used to calculate how much extra will be added to your benefits. The late retirement factor will cover the period from your NRA (or the date you cease being an active member, if later) until when you eventually take your benefits.

If you leave employment on or after your NRA, your application to postpone taking your benefits must be received no later than three months after your date of leaving.

If your pension benefits are already preserved, you can only postpone taking them if you are within three months of your NRA (either three months before or three months after).

NB: Network Rail members will not need to request this as the late retirement factors will be automatically applied.

Ill-health retirement

If you are unable to work through ill health, you may be able to claim your Scheme pension and cash lump sum early – with no reductions for early payment, and a potential enhancement to your pensionable service of up to ten years.

You could be eligible if:

- you've been in the Section or have Section membership of at least five years (check the Section Rules in your Member Guide);
- you're under your NRA; and
- a medical expert chosen by the Trustee provides evidence that you're unable to work in your current or other suitable job.

More questions and answers about this can be found in your Member Guide - Incapacity Benefits.

Taking your benefits early while working.

You may be able to claim your benefits early (from age 55) and continue working. In some cases employer agreement may be required.

However, it's important to note that your benefits will be reduced because they are being paid before your Normal Retirement Age and that the reduction is likely to be more than if you were leaving employment and claiming your benefits immediately. This is because you may be entitled to generous early retirement terms (known as Schedule 8 Early Retirement Factors) on some or all of your benefits if you leave employment and claim your benefits straight away; whereas, if you claim your pension benefits early from preserved status or whilst remaining in employment, your benefits are likely to be reduced by less generous Cost Neutral Early Retirement Factors.

Details of the reduction factors that would apply to your benefits, on leaving or remaining in employment, can be found in your Guide for members which is available in your myRPS account. It shows the factors at different ages in years. If you take your pension benefits on a date other than your birthday, the factors will reflect your age in years and months.

Please also note that:

- there may be an effect on lump-sum death benefits and ill-health benefits;
- you also give up your right to be an active member of your Section, although your employer may let you rejoin.

You cannot take your benefits before age 55 and continue working, even if you have the historic right to apply to take early retirement before age 55.

Taking your benefits and starting work again

If you were an active member of the Scheme on 5 April 2006, you may have a Protected Pension Age (PPA) which may give you the right to apply for your Scheme benefits from age 50.

If you wish to apply for your Scheme benefits before age 55, you must also apply for all your Scheme benefits from all sections of the Scheme in which you have pension benefits at the same time. **Please contact us for further details about your options and the timescales involved.** If you are already planning your retirement, you should get in touch straight away.

Please note there are important tax issues to think about if you leave work and claim your pension benefits before age 55 and then start working again. You must leave a gap of at least **one month** if you return to either the same employer or another employer in the same corporate group. If your new role is not materially different in nature to your previous role, then you must leave a gap of at least **six months**.

For more information about the PPA and the conditions that need to be met please see our Protected Pension Age Read As You Need document.

Your options when you take your benefits

There are a number of ways that you can take your benefits. You choose the best options for you.

Lump sum

When you retire, a lump sum (currently tax-free) is provided along with your Railways Pension Scheme (RPS) pension.

You may be able to take a larger lump sum by giving up part of your pension but there is a limit on how much you can take. Or, you may want to increase your pension. In this case, you use some or all of your lump sum to provide a bigger pension.

The way that pension can be converted to lump sum and vice-versa will depend on the Rules of your Section of the RPS. The Rules also cover how any BRASS funds are taken into account within your benefit calculations.

More information on the way that pension can be converted to cash lump sum and vice-versa can be found in your Member Guide in the 'My library' section of myRPS.

The choices you make will not affect the pensions your dependants may receive on your death.

Extra pension for your dependants

A pension will be paid to your eligible dependants who qualify when you die, but you can also choose to give up part of your pension to provide more for a named dependant. You will need to provide the details of the dependant when you apply for your pension benefits and the amount of pension you give up will depend on your age and the age of your dependant.

These payments will continue until your dependant dies. However if your dependant dies before you, you will still only get the reduced pension.

Level pension

If you take your RPS benefits before you claim your State Pension you may choose the level pension option to help even out the change in your income when you reach State Pension age.

Taking the level pension option means that you will draw a higher RPS pension before you claim your State Pension and your RPS pension will reduce after you reach State Pension age.

This option is subject to eligibility and will be based on your State Pension age at the date you take your pension from the RPS.

Additional Voluntary Contributions (AVCs)

BRASS

If you have paid into BRASS, you must take these benefits at the same time as your main RPS benefits, or transfer them to another arrangement if you wanted to claim them at an earlier or later date.

How your BRASS funds will be taken into account within your benefit options depends on the Rules of your Section. Your Member Guide will also provide information on this.

If you have stopped paying into BRASS, you may be able to transfer them into another pension arrangement.

AVC Extra

If you have paid into AVC Extra and are under age 55, then your benefits from AVC Extra must be taken at the same time as your other benefits in the Scheme. However, they will be paid separately. Further restrictions may apply if you have a Protected Pension Age (PPA) and choose to take your benefits before age 55. Please contact us for more details about your options and the timescales involved. If you're already planning your retirement, you should get in touch straight away.

If you are over age 55 then you don't have to take your benefits from AVC Extra at the same time and can choose to leave them in the Scheme if you wish. You must take your AVC Extra benefits by your 75th birthday.

If you have stopped paying into AVC Extra, you may be able to transfer them into another pension arrangement.

Important notes

It's important that you understand the different options available to when you're ready to claim your RPS pension and benefits, and can choose the best ones for your needs.

More information about BRASS and AVC Extra can be found in our RAYN leaflets.

Before making any decisions about your future, we recommend you get appropriate independent guidance and advice. You can find information about how to choose an Independent Financial Adviser (IFA) at <https://www.moneyhelper.org.uk/en/getting-help-and-advice/advice/financial-advisers/choosing-a-financial-adviser>. You can also find IFAs in your local area at www.unbiased.co.uk.

Where to go for advice

We strongly recommend that you take independent financial advice from a suitably qualified adviser who is registered with the FCA before making a decision about how and when your benefits are taken.

A financial adviser can offer advice on most appropriate retirement options for your circumstances.

Liverpool Victoria (LV) has been carefully chosen to give Railways Pension Scheme and British Transport Police Force Superannuation Fund members access to financial advice. You can contact Liverpool Victoria on: 0800 0234187.

MoneyHelper

MoneyHelper from the Money and Pensions Service (MaPS) brings together the support and services of three government-backed financial guidance providers: Money Advice Service, The Pensions Advisory Service and Pension Wise.

It offers free support on a wide range of financial matters, online and over the phone. This covers a variety of pension topics, including:

- Auto enrolment
- Building your retirement pot
- Pension problems
- Pension basics
- State Pension
- Taking your pension
- Tax and pensions
- Pensions and retirement

For more information visit <https://www.moneyhelper.org.uk/en/pensions-and-retirement>

Pension scams

If you are claiming or transferring your benefits then you should be aware of scams.

In particular, beware of people contacting you out of the blue wanting to discuss your pension, or adverts claiming to offer 'free pension reviews', a 'one-off investment opportunity' or a 'legal loophole'. Once you have invested or transferred your benefits to one of these organisations, it is often too late to do anything about it. You could lose your entire pension savings and be asked to pay a large tax bill as well.

For further information about pension scams, visit www.thepensionsregulator.gov.uk/pension-scams All firms offering financial products or advice should be registered with the Financial Conduct Authority (FCA). If you are unsure about a firm that has contacted you, use the FCA's online register to check if the firm is registered at www.fca.org.uk/register or call 0800 111 6768 (or +44 207 066 1000 from abroad).

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