

# Guide to your pension payment

From time to time you will receive a notification which refers you to this guide, which gives you more information about the following bullet points that may appear on your payroll letter:

- Cost of living increase
- Tax
- Other deductions
- Level pension
- State pension
- Guaranteed Minimum pension

## Cost of living increase

Your pension scheme provides for an increase each April in line with statutory orders made under the Pensions (Increase) Act 1971. The amount of the increase is usually officially published in March, reflecting the measure of inflation (as provided in the legislation) from the previous September.

The full increase is payable from the Scheme to pensioners under State Pension age, or age 65 if earlier, who have been receiving their pension for at least a year. A pro-rata amount may be payable if you have been retired for less than a year.

When you reach age 65, the increase to your pension is worked out differently if you were 'contracted out' and are entitled to a Guaranteed Minimum Pension (GMP). From your State Pension age, or age 65 if earlier, the GMP portion of your pension increase may be paid to you with your State Pension if you reached State Pension age before 6 April 2016. Some may be paid with your RPS pension.

## Tax

Your pension is taxable like any other income. The amount of tax we deduct from your pension is based on your tax code issued by HM Revenue & Customs (HMRC). If HMRC issues you with a new tax code, it will tell us the new code so that we can continue to deduct the correct amount of tax for you. We will only change your tax code on instruction from HMRC.

If your tax code starts with a letter S, this means you are a Scottish Taxpayer and your pension is taxed using the rates applicable in Scotland.

If you have any questions about tax, you should contact your tax office.

## Other deductions

This is any money that we pay on your behalf to another organisation, like a charity or in respect of an Attachment of Earnings Order following a divorce.

## Level pension

You may also know this as 'flexible' pension.

When you retired you may have been entitled to, or chose to take, a level pension. This meant that you chose to have a higher RPS pension before you reached the State Pension age, applicable at the time you retired, and a smaller pension after.

## State Pension

Please note that, if you reach State Pension age on or after 6 April 2016, you will receive the new State Pension. The State will pay whichever State Pension you are entitled to, in addition to your railway pension.

### State Pension age

The State Pension age is the earliest age you can claim your State Pension. From October 2020 the current State Pension age for men and women is 66.

From April 2026 to April 2028, this will increase from 66 to 67. This will impact you if you were born after 5 April 1960. If you were born after 5 March 1961 you will reach State Pension age at age 67, unless you are affected by the most recently announced changes (see below).

The government has been also considering how to make sure the State Pension age continues to keep pace with increases in life expectancy and this will be reviewed during each Parliament. The outcome of the first review was announced in July 2017 and will increase the age from 67 to age 68 between April 2037 and April 2039.

For more information about the State Pension age and to access a calculator to tell you when you will reach your State Pension age, please visit the gov.uk website at [www.gov.uk/state-pension-age](https://www.gov.uk/state-pension-age).

### Guaranteed Minimum Pension (GMP)

If you were a contributing member of a certain railway pension scheme before 6 April 2016 you were 'contracted out' of the State Second Pension (S2P) - formerly known as the State Earnings Related Pension Scheme or 'SERPS'. If you were contracted out, you paid a lower rate of National Insurance contributions.

For periods of employment where you were contracted-out, your scheme must provide you with a minimum level of benefit. For employment between 6 April 1978 and 5 April 1997 this minimum level of benefit is called the GMP which should roughly equal the level of the additional pension which would have been payable from SERPS.

The government made changes to the contracting out rules from 6 April 1997. Instead of using an individual GMP test, your benefits for any railway scheme membership from 6 April 1997 up to 5 April 2016 are given an overall quality test and the scheme has to provide benefits at least as valuable as those that you would get as a member of a "reference scheme" set out in law. The option for schemes to be contracted-out on a defined benefits basis ended on 6 April 2016.

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