

A guide for members

- if your pay has been restructured



Please read this important information

This leaflet is only a broad summary of the rules of the Scheme. Most sections of the Scheme have different overall benefit provisions. Your entitlement to benefits from your section of the Scheme is governed by the pension trust and your section's rules, **not** this leaflet.

You should read this leaflet with your Scheme booklet 'A guide for members'.



Your benefits if some of your earnings have been restructured

This leaflet describes the extra retirement benefits and death benefits which are available to certain members of the Railways Pension Scheme. You should read it with 'A guide for members' because it supports the benefits described in that booklet.

Who receives these extra pension benefits?

The extra pension benefits apply to members whose employer has restructured their earnings and made more count for pension benefits. 'Restructuring' is a change that either you and your employer have agreed, or your trade union has agreed for you with your employer.

It applies to all agreements where either:

- some or all of your non-pensionable earnings are replaced with an amount which is pensionable for your future service, after the date the agreement begins (or a later date which has been agreed), but not for any previous service; or
- an increase in your earnings is pensionable for future service only from the date your earnings were increased (or another agreed date).

Definitions

All definitions used in this leaflet are shown in italics. If they are not explained in 'A guide for members', they are explained below.

Final average restructuring premium

The greater of:

- the average of your *restructuring premium* for the 12 months before you take your benefits, leave your section of *the Scheme* or die, whichever is earlier; or
- the average of your *pensionable restructuring premium* over the 12 months before you take your benefits, leave your section of *the Scheme* or die, whichever is earlier.

If you have more than one *restructuring premium*, you will have more than one *final average restructuring premium*.

Pensionable restructuring premium

Your yearly rate of *restructuring premium* on each 1 April. This is mainly used to work out your contributions (see the definition of *section pay*). If you have more than one *restructuring premium*, you will have more than one *pensionable restructuring premium*.

Restructuring premiums

Either:

- the part of your non-pensionable earnings which, as part of an agreement with your employer to restructure earnings, becomes pensionable for future service from the date that your earnings were restructured (or another agreed date); or
- an increase in your earnings which, as part of an agreement with your employer, is pensionable for future service only from the date your earnings were increased (or another agreed date).

This is used to work out your benefits. You may have more than one *restructuring premium* with different dates.

Section pay

Pensionable pay plus all *pensionable restructuring premiums*, less one and a half times the single person's *basic State Pension*.

Your *section pay* will never be less than half of your *pensionable pay* plus all *pensionable restructuring premiums*.

How do you work out my benefits?

As well as the benefits explained in 'A guide for members', we work out your *restructuring premium* benefits based on your *final average restructuring premiums* and the number of years and days pensionable service since your earnings were restructured and each *restructuring premium* began.

Your pension

When you take your benefits the pension you will receive from your section of *the Scheme* will increase for each *restructuring premium*. The extra pension is worked out as:

- your *final average restructuring premium*;
- divided by 60; and
- multiplied by your number of years and days membership since receiving this *restructuring premium*.

We use this sum for each *restructuring premium* that you have, working out each *final average restructuring premium* separately. We start with the one with the earliest membership date.

Example of extra pension benefits from restructuring premiums

If:

- your *final average pay* is £18,000 a year;
- your first *final average restructuring premium* is £4,400 and your second is £2,000; and

- you have 40 years' membership, 10 of which you have been getting your first *restructuring premium* and 5 of which you have been getting your second *restructuring premium*;
- your extra pension will be:

$$\frac{10}{60} \times £4,400 = £733$$

Plus

$$\frac{5}{60} \times £2,000 = £167$$

$$£733 + £167$$

Your extra pension = £900 a year.

If half of your *final average pay* is more than your *final average pay* less one and a half times the *final average basic State Pension*, special conditions apply when we work out your benefits based on your *restructuring premiums*.

Your lump sum

The lump sum you will receive from your section of *the Scheme* will also increase for each *restructuring premium*.

The extra lump sum is worked out as:

- your *final average restructuring premium*;
- divided by 40; and
- multiplied by your number of years and days membership since receiving this *restructuring premium*.

We use this sum for each *restructuring premium* that you have, working out each *final average restructuring premium* separately. We start with the one with the earliest membership date.

Example of extra lump sum benefits from restructuring premiums

If:

- your first *final average restructuring premium* is £4,400 and your second is £2,000; and
- you have 40 years' membership, 10 of which you have been getting your first *restructuring premium* and 5 of which you have been getting your second *restructuring premium*;

your extra lump sum will be:

$$\frac{10}{40} \times £4,400 = £1,100$$

Plus

$$\frac{5}{40} \times £2,000 = £250$$

$$£1,100 + £250$$

Your extra lump sum = £1,350.

For the purpose of working out your lump sum, the total of your *final average pay* and *final average restructuring premiums* is restricted to 12 times the single person's *final average basic State Pension*.

Your dependants' benefits

Your section of *the Scheme* provides benefits if you die while you are a member or after you have left employment. These benefits may include:

- a lump sum;
- a dependant's pension; and
- pensions for up to two children.

When we work out the lump sum and any pensions we pay to your dependants they will also include the relevant amount of extra benefits built up by your *restructuring premiums*.

Other circumstances

We will also include the additional benefits you receive because of your *restructuring premium* if you:

- ✓ take your benefits early;
- ✓ take your benefits early because of ill health; or
- ✓ leave your job before you take your benefits.

If you work part-time, we will work out your benefits in line with the number of hours you work compared to the number of full-time hours. You will have the same options of how to take your benefits as your full-time colleagues.

How do you work out contributions?

Your contribution is a percentage of your *section pay*. The amount is based on your *section pay* on 1 April each year. Your *section pay* includes any *pensionable restructuring premiums*. We review contributions every year on 1 July. If your contribution rate needs to change the new rate will be applied from the first Monday in July. You can check the percentage you pay with your employer.


After some of your earnings are restructured, you will normally find that your new contribution rate from the next July is higher than you are used to because of the increase in your pensionable earnings.

It may also be part of the pay restructuring agreement that your contributions and your employer's contributions are increased before the next July date, based on your higher pensionable earnings.

Example

- If your *section pay* is £200 a week before your earnings were restructured and your contribution is 10%, your contribution will be:

$$£200 \times 10\% = \mathbf{£20} \text{ a week.}$$

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- If your *section pay* then goes up to £260 a week to include a *pensionable restructuring premium* of £60, your contribution will then be:

£260 x 10% = **£26** a week.

Your contributions are taken from your earnings before income tax is applied.

Summary

If you are entitled to these extra benefits, your employer should tell you and the Trustee Company the amount of *restructuring premium* and the date from which each counts for Scheme benefits.

Estimates from RPMI will also show clearly how we work out the main benefits and the additional benefits described in this leaflet.

If you want to check some of the details that we hold about you, like *restructuring premiums*, and get an illustration of your benefits visit the Pension Friend website at www.pensionfriend.co.uk.

Effects of future increases in pensionable earnings (a separate issue from restructuring)

We work out your benefits in separate stages and then add them together as follows:

1. your *final average pay* and all your pensionable service; and
2. your *final average restructuring premium* and pensionable service since being restructured.

(Note: If your pay has been restructured more than once, step 2 is repeated for each period of restructuring).

Whether a future earnings increase counts towards increasing any or all of these benefits will depend on the agreement you have with your employer.

Effects on changing your job

If you change jobs with the same employer, you may need to agree with your employer which parts of your new earnings are pensionable and the date from which each restructuring premium counts for pensionable service.