

in:sight

Coronavirus update – supporting you



The impact of the Coronavirus is being felt across the country and we are focused on supporting you during this difficult time.

There are a number of things you can do with regard to your pension:

1 Visit your website

Your member website is your best source of news regarding the Scheme. We know that up-to-date information will be extremely important to you and your website will be the place to find it. If you haven't already, you can register for your personal 'myRPS' account. This gives you access to a secure area where you can view and manage a lot of aspects of your membership.

Please register as soon as possible. As well as being easy and convenient for you, doing any transactions online (instead of using paper forms) also helps the administrator, RPMI, manage its services at a challenging time.

2 Only call the member Helpline with urgent queries

Staff on the member Helpline run by RPMI are now working remotely to ensure they can continue to provide support. But **please only phone if the matter is very urgent**. While we know that this situation affects everyone, it is important that those with the greatest need are able to get support first.

Before calling, please check your member website to see if the information you need is there, or whether you can carry out your transaction online.

3 Please be patient

RPMI is having to prioritise the most urgent queries during this time. The team is here to support you; it just may take a little longer to deal with any requests.

Please be patient – we are all in these extraordinary times together and the RPMI team is working its hardest for you.

Chair's message...

Welcome to your latest Insight, which I know arrives at the most challenging of times for us all, given the impact of the Coronavirus.

I want to use this newsletter to let you know how the situation is affecting the Scheme, the services provided by its administrator, RPMI, how we'll be helping you through this difficult time, and also what you can do to help us.

RPMI will continue to operate as normal a service as possible in supporting the Scheme. It has responded incredibly quickly to the current situation, enabling many of its services to continue.

The investment teams are all working remotely to ensure we defend the Scheme's assets during this time and make the right investment decisions. Administration staff are increasingly doing likewise.

Of course, this situation continues to change at a rapid pace and it is hugely important that we keep you up to speed with developments. Your member website will always be the place to go to find the very latest news – I would urge you to register for your personal online account if you haven't already and to please avoid calling the member Helpline with non-urgent queries.

In the meantime, I hope you and all your loved ones are well, safe, and managing as best you can.



Best wishes,

A handwritten signature in black ink that reads "Chris Hannon".

**Chris Hannon,
Trustee Chair**

Investment update



There have been both significant social and economic challenges as a result of the global Coronavirus pandemic during the early part of 2020.

As governments across the world have taken unprecedented steps to contain this threat, we have seen financial and investment markets respond. Markets around the globe have inevitably fallen as investors take stock of the impact these steps will have on economic activity.

Our in-house investment team has been working hard to keep on top of this fast-changing situation. Over this period, our funds have held out well relative to the markets in which we invest. As a long-term investor, acting on behalf of our members, we have a wide range of good-quality investments in a number of countries and regions. This diversification of investments has benefitted the Scheme during this time of uncertainty.

While it is difficult to draw conclusions over what the long-term impacts of the pandemic might be, we will continue to focus on carefully seeking out those investments that enable us to pay pensions now and well into the future.

Your pension is in **safe hands**

The safety and security of your pension is of the utmost importance to the Scheme’s administrator and it has comprehensive measures in place to protect members.

RPMI, the administrator for the Scheme, values the trust that you place in it as the custodian of your retirement income, and takes its responsibility to protect and secure your information extremely seriously.

The Scheme administrator holds one of the most reputable and trusted international standards for information security, and has robust controls and procedures in place, providing a secure infrastructure to reduce the risks of unauthorised access to your information.

Your data is handled in compliance with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018.

Here are some of the steps RPMI takes to ensure the safety and security of your pension:

- It ensures its systems have the latest security measures applied to stop anything harmful from trying to get in
- Security controls are continuously assessed for effectiveness
- It holds ISO 27001 and Cyber Essentials security certifications

Find out more:

Read how to spot – and report – different types of fraud at [actionfraud/police.uk](https://www.actionfraud.police.uk)

For more details about spotting pension scams, and what to do if you’ve been targeted, visit [pensionwise.gov.uk/scams](https://www.pensionwise.gov.uk/scams)



Did you know?

You have a few options to choose from when you take your pension.



Knowledge is power as the old saying goes, so get familiar with your options before you plan what to do with your pension savings.

When you come to retire, you can choose whether to keep your pension in the IWDC Section or to transfer it elsewhere.

If you keep your pension in the IWDC Section, you can currently:

-  Take your pension pot as a cash lump sum
- OR**
-  Buy an annuity (or a mixture of the two)

If you choose to transfer your benefits from the IWDC Section to another authorised provider, you could choose to:

-  Keep your contributions invested
-  Take cash bit by bit when you want it
-  Use drawdown
-  Mix and match

Usually, up to 25 per cent of your Personal Retirement Account can be taken tax free. However, different tax rules apply to different options.

You can find out more about each option and how it is taxed at [Pensionwise.gov.uk/explore-your-options](https://www.pensionwise.gov.uk/explore-your-options). The FAQs section on our website has a lot of valuable information too – visit [Railwayspensions.co.uk/faqs](https://www.railwayspensions.co.uk/faqs).



Pension news in brief:

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

A new government and Brexit

The general election on 12 December 2019 resulted in a Conservative government with an 80-seat majority. Although we will have to wait and see what the new government brings for pensions, the Conservative Party manifesto said the government would:

- Keep the triple lock for State Pension increases;
- Reintroduce the Pension Schemes Bill, which we cover later in this article;
- Carry out a review of tax relief for net pay pension schemes, as increases to the personal allowance have had an impact on tax relief for low earners; and
- Review the tapered annual allowance, which has been in the news due to the impact it has had on working hours for doctors.

Following the election and the ratification of the withdrawal agreement by the UK and the European Union (EU), the UK exited the EU on 31 January 2020. There is now an implementation period until 31 December 2020 while the EU and UK negotiate new arrangements.

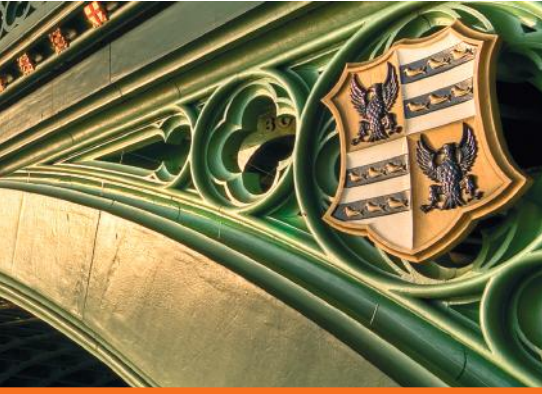
We are continuing to pay benefits as normal to pensioners who live outside the UK during the implementation period and do not currently expect any impact after the implementation period.

Budget 2020

Following on from the general election, the new government's first Budget took place on 11 March 2020.

Although there had been rumours of potentially significant changes in pension tax relief in the run up to the Budget, the pension-related announcements were not as major as expected. It was announced that there would be:

- An increase in the thresholds used in the Tapered Annual Allowance (which reflected the Conservative manifesto pledge to review this area). The thresholds increased by £90,000 with effect from 6 April 2020 and this will benefit many high earners who had been impacted by the taper. However, the minimum level of Annual Allowance applying under the taper system reduces from £10,000 to £4,000, so some of the highest earners will lose tax relief.



You can learn more on the Annual Allowance (including the Tapered Annual Allowance) at [Gov.uk/tax-on-your-private-pension-annual-allowance](https://www.gov.uk/tax-on-your-private-pension-annual-allowance)

- An increase to the Lifetime Allowance from £1,055,000 to £1,073,100 for the 2020/21 tax year.
- A call for evidence about how tax relief applies under net pay arrangements, such as the IWDC Section. The alternative tax relief system, referred to as 'relief at source', takes contributions from income after tax, with the pension scheme reclaiming basic rate tax relief from HMRC.

Pension Schemes Bill

The Queen's Speech, which followed the general election, announced a Pension Schemes Bill to progress items that had also been on the previous government's pension agenda.

The Bill still has to progress its way through parliament and have amendments and scrutiny along the way, although the changes to pension scheme that the latest Pension Schemes Bill are expected to bring are:

- Strengthened powers for the Pensions Regulator (TPR), to address issues that have arisen in some pension schemes, especially defined benefit schemes where there has been an employer insolvency.
- Support for the introduction of pensions dashboards by requiring schemes to provide pensions data to dashboard providers.
- The introduction of collective defined contribution (CDC) pension schemes, such as the one that has been proposed by Royal Mail.
- Proposed changes to pension scheme member's statutory transfer rights to help avoid transfers to scam arrangements.

The Trustee and RPMI will be monitoring developments relating to both the tax relief call for evidence and the Pension Schemes Bill.

Privacy notice update

In line with legislative requirements and guidance issued by the Information Commissioners Office, we regularly review our privacy notice.

We have recently made some changes to the content of the privacy notice to make it easier to understand why we collect data and what we do with it. This includes verifying your identity to prevent and detect fraud so we can pay any benefits you may be entitled to.

The updated privacy notice is available on our websites:

member.railwayspensions.co.uk
railwayspensions.co.uk
btpensions.co.uk

Investing your pension contributions: the control is in **your hands**

Saving into the Industry-Wide Defined Contribution (IWDC) Section of the Railways Pension Scheme (RPS) gives you the option to have your pension contributions invested for you, or you can choose another option if this is more suitable for you.

There are two main options to choose from:

1. Lifestyle strategies – your contributions are invested for you

If you invest in a Lifestyle strategy, your holdings are automatically moved into Funds which are believed to be suitable for the length of time you have left until retirement.

There are two Lifestyle strategies you can choose from:

- **The Long Term Growth Lifestyle Strategy** invests in the Long Term Growth Fund until 10 years before your target retirement age;
- **The Global Equity Lifestyle Strategy** invests in the Global Equity Fund until 10 years before your target retirement age.

Both strategies switch three quarters of the fund into the Aggregate Bond Fund and one quarter to the Deposit Fund over the last 10 years.

2. Self-select funds – you manage your investments

You can invest in one Lifestyle strategy, as many of the self-select funds as you want, or a mixture of a lifestyle strategy plus self-select funds.

If you don't make a selection, your pension contributions will automatically be invested in the Long Term Growth Lifestyle Strategy.

To find out more about the IWDC Section of the RPS, visit railwayspensions.co.uk/in-the-scheme/iwdc.

Your section has a Normal Retirement Age, but you can choose to retire earlier or later – this is called your Target Retirement Age (TRA). See page 10 for an explanation of your TRA.

Funds	Investing in	Aim
Global Equity Fund	global equities, including emerging market equities	To achieve an equity market return, which should be in excess of inflation over the longer term.
Long Term Growth Fund	a range of asset classes across global markets	To achieve a return in excess of inflation over the longer term.
Aggregate Bond Fund	a mix of global non-government bonds and fixed-interest UK government bonds	This fund may be suitable for members near retirement, who want to use their pension pot to buy a non-increasing pension.
Index-Linked Global Bond Fund	a mix of global non-government bonds and index-linked UK government bonds	This fund may be suitable for members near retirement, who want to use their pension pot to buy a pension that increases with inflation.
Deposit Fund	a wide range of short-term investments, not simply deposit accounts	Capital security over the short term. The fund may not suit members who are some way from retirement as returns are not currently keeping pace with inflation, and are unlikely to do so in the long term.

It's important to think carefully about where to invest your contributions as your choices will impact how your retirement account grows.

Fraudsters are after your pension!

Fraudsters may try to take advantage of the widespread anxiety caused by the recent Coronavirus outbreak to target pension savers with scams – please be extra vigilant!

Fraudsters may try to lure you into an illegal transfer. If you agree, you could lose all your pension savings and face a large tax bill on top. They are very clever and make sure they sound legitimate to make you think they're honest, credible, and have your best interests at heart.

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

- Encouraging pension savers to take cash lump sums from their pensions for 'investments'
- Tricking the victim into transferring their pension to a new provider

Research by Censuswide, conducted in June 2019, suggests more than five million people across the UK could be at risk of falling for at least one of six common tactics used by pension scammers:

- Cold-calls asking for information on your pension
- Free pension reviews
- Claims of guaranteed high returns
- Exotic investments
- Time-limited offers
- Promises of early access to cash (before age 55)

Although pension's cold-calling is illegal, thousands of people still lose their precious retirement savings every year. There is nothing your pension administrator can do to get your money back once you've transferred it out of the IWDC, so it is crucial you take extra care before making any decisions.

For more information, visit pension-scams.com or call The Pensions Advisory Service (TPAS) on **0300 123 1047** for free pensions guidance and information.



Tax relief, your secret helper

Nobody likes paying tax – that's for sure. But, did you know you get tax relief on your pension contributions which helps you save more?

This means some of your money that would have gone to the government as tax goes into your pension instead.

Basically, tax relief is what makes pensions such an efficient way to save.

Each tax year, you usually get tax relief on pension contributions of up to 100 per cent of your earnings, or £40,000, whichever is lower. This is your Annual Allowance.

If you are subject to the money purchase annual allowance or if you're on a higher income, you might get a lower amount of tax relief. The amount for high earners is known as the Tapered Annual Allowance. It was announced in the Budget 2020 on 11 March that the income threshold for this allowance will increase from £150,000 to £200,000, effective from Monday, 6 April 2020.

Find out more at gov.uk/tax-on-your-private-pension

Picture your retirement



You probably have an idea of the retirement you want, but working out the actual cost is much tougher.

Thinking about what you want your ‘golden years’ to look like can help you plan better for your future.



Get a feel for your retirement

The Retirement Living Standards table, below, devised by the Pensions and Lifetime Savings Association (PLSA), will give you a sense of what life after work could cost.

The figures are realistic expectations based on feedback from real people around the UK*.

It’s important to remember these standards are meant to be a helpful rule of thumb – they do not constitute financial advice.

The figures aim to provide savers with tangible income goals in order to achieve different standards of living in retirement.

 SINGLES	RETIREMENT LIVING STANDARDS	 COUPLES
£30k	COMFORTABLE More financial freedom and luxuries	£45k
£20k	MODERATE More financial security and flexibility	£30k
£10k	MINIMUM Covers all your needs, with some left over for extras	£15k

How do I know if I’m on track?

Of course, we’re all different. Our living costs depend on our household expenses, mortgage and rent, and other outgoings.

Check if you can afford your living standard of choice by combining your State Pension entitlement and the current value of your workplace pension, plus any other relevant savings. The maximum State Pension is currently £175.20, depending on your contributions history.

You can check your IWDC personal retirement account by logging into your myRPS account at railwayspensions.co.uk/login.

You can learn more about your personal State Pension entitlement at gov.uk/check-state-pension.

What retirement could cost

These three shopping lists give you an idea of how you might spend your money, based on the Retirement Living Standards.

It is important to give later life some thought, and to start preparing for it early so you have the financial security and stability to do all the things that you will want to do then.

For example:

Around £15k is expected to cover a couple's minimum needs, with enough left over for some socialising, leisure activities and a UK holiday. The figure excludes mortgage or rental costs.

* Figures quoted are from the Retirement Living Standards published by the Pension and Lifetime Savings Association (PLSA) and Loughborough University. Costs will be higher in London.

Full details can be found at retirementlivingstandards.org.uk.

	MINIMUM	MODERATE	COMFORTABLE
Couple	£15,700 a year	£29,100 a year	£47,500 a year
What standard of living could you have?	Covers all your needs, with some left over for fun	More financial security and flexibility	More financial freedom and some luxuries
House	DIY maintenance and decorating one room a year	Some help with maintenance and decorating each year	Replace kitchen and bathroom every 10/15 years
Food & Drink	A £67 weekly food shop	A £74 weekly food shop	A £91 weekly food shop
Transport	No car	3-year old car replaced every 10 years	Two cars, each replaced every five years
Holidays & Leisure	A week and a long weekend in the UK every year	2 weeks in Europe and a long weekend in the UK every year	3 weeks in Europe every year
Clothing & Personal	£460 per person for clothing and footwear each year	£750 per person for clothing and footwear each year	Up to £1,500 per person for clothing and footwear each year
Helping others	£10 for each birthday present	£30 for each birthday present	£50 for each birthday present

The more, the merrier

Are you on track to meet your retirement goals? Paying a little extra every month could make a big difference.

As a member of the IWDC, you can save more towards your retirement by paying Additional Voluntary Contributions (AVCs).

The more you save now, the more time your money has to grow. Over the long-term, the investment returns on your AVCs could make a big difference to the amount you have to live on when you retire.

Plus, some employers allow contributions to be paid via a 'salary sacrifice' arrangement, which reduces your National Insurance bill. And they

may even increase the amount they pay into the scheme if you choose to save more. It's worth checking!

Remember that as with any investment, the value of your Defined Contribution pension is not guaranteed; it can go up or down, and may be worth less than what you paid in initially.

You can find out more about AVCs at railwayspensions.co.uk



Farewell to pensions jargon

Bamboozled by pensions jargon?

We shed light on a few common pension terms below:

Annuity

A policy that you purchase (usually using funds that you've built up in a pension arrangement) which provides you with an income for life (or sometimes a set period of time).

Bonds

These are loans made to a company or government. In return for the loan, the company or government will pay the investor a fixed or

inflation-linked return. These are often seen as a less volatile and lower risk option than company shares.

Default fund

This is the fund that members of the Industry-Wide Defined Contribution Section will automatically be invested in, unless they choose to invest in other funds.

Industry-Wide Defined Contribution (IWDC)

Put simply, this is the pension scheme that you are part of. You – the member – and your employer pay contributions that are invested into funds. The pension arrangement is available to members of a whole industry (e.g. rail).

Lump sum

The amount you can take as a one-off tax-free payment when you retire. You can take up to 25% of your pension savings as a lump sum when you retire.

Target Retirement Age (TRA)

Your Target Retirement Age (TRA) is the age when you plan to take your benefits. You will be asked to set a TRA if you're a member of a defined contribution pension arrangement such as the IWDC Section and are invested in a Lifestyle strategy, which changes your investments to lower-risk funds as you get closer to retirement.

Looking after your pension thoughtfully and responsibly

RPMI Railpen (Railpen) is the investments arm of the Railway Pensions Scheme (RPS) and, as such, is responsible for the safekeeping and investment of the assets of the Scheme.

Railpen strives to incorporate sustainability considerations into the investments managed on behalf of the Scheme, and undertakes Sustainable Ownership (SO) activities in three core ways:

1 Environment, Social, Governance integration

Railpen's aim is to invest sustainably, taking into consideration environmental, social and governance (ESG) factors, and it actively engages with as many companies as it can.

In 2019, it had meetings with 11 companies in its actively managed equity strategies to discuss their governance and sustainability practices, as well as changes to Railpen's new voting policy. The new voting policy can be found at rpmirailpen.co.uk/active-ownership

2 Active ownership

Thoughtful voting alongside constructive engagement with portfolio companies, supports Railpen's objective of enhancing long-term investment returns for beneficiaries.

Over the quarter, it also held numerous meetings with companies on covering a broad range of governance and sustainability topics, including

strategies, remuneration consultations, dialogues on climate and human capital management.

3 Longer-term risks and opportunities

Railpen monitors risks and opportunities from a long-term perspective.

A key priority for 2019 was to assess how climate change could impact the Scheme. An exercise was undertaken with Ortec Finance, a technology solutions provider, to analyse the exposure of the Scheme's total assets to climate change under different global warming scenarios.

Railpen also published a white paper jointly with NEST on cyber and data security. You can view this report under publications at www.rpmirailpen.co.uk/active-ownership.

Railpen purchased Tralorg Wind Farm in South Ayrshire, southwest Scotland, from global renewable energy developer, BayWa r.e. The farm, consisting of eight 2.35-megawatt turbines, is scheduled to be operational next year.



Railpen has published its Sustainable Ownership Report for 2019. The report explores our approach to incorporating environmental, social and governance (ESG) considerations into the investment decisions we make on behalf of our members.

Useful contacts

Independent financial advice

LEBC Group

0800 032 7251

rpmi@theretirementadviser.com

If you're close to retirement, RPMI works in partnership with financial advice provider LEBC to provide help for IWDC members. Initial consultations are free of charge but a fee is charged for further services.

Unbiased.co.uk

You can also find Independent Financial Advisers (IFAs) registered with the Financial Conduct Authority in your local area on Unbiased's website. You should check that the adviser is qualified to offer advice on pensions.

Government services

Gov.uk

The official government website has lots of easy-to-understand information about pensions, tax and National Insurance.

Citizens Advice

Citizens Advice 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. You can also find information on Pension Credit and Universal Credit.

Citizensadvice.org.uk/debt-andmoney/pensions

Your chance to win £150!

Since its launch in April last year, the Platform group has attracted more than 400 members, who are helping us make our pensions communications as relevant and effective as possible by sharing their feedback.

So, if you'd like to become a driving force behind our pension communications, sign up to Platform by visiting Railwayspensions.co.uk/Platform.

As a massive thank you for your support, upon joining, you'll be entered in our prize draw for £150 worth of shopping vouchers. The winner will be announced just before Christmas.

Here's how it works:

- 1 You sign up at Railwayspensions.co.uk/Platform
- 2 We send you an email
- 3 You tell us what you think
- 4 We take your feedback on board
- 5 We share the results with you

Join Platform and be in with the chance of **WINNING £150** worth of shopping vouchers.



Get in touch...

Pension queries

You can find lots of information in our FAQs at Railwayspensions.co.uk/faqs.

If you can't find the answer you're looking for online, email dadmin@rpmi.co.uk or telephone the Helpline on **0800 012 1117** (Mon to Fri, 8am-5pm).

Tell us what you think

Help us improve Insight!
Your feedback matters.

Email insight@rpmi.co.uk or scan the QR code or visit surveymonkey.co.uk/r/InsightMay2020 to share your thoughts on this issue of Insight

