Welcome to Insight – the annual newsletter for members of the IWDC Section of the Railways Pension Scheme.

Remember: it’s never too early – or late – to start planning for retirement. You’ve already made a step forward by joining the Section. You might be a new member, or have been paying in for a while, but to get the most out of your pension, you still need to ask yourself:

**When do you want to retire?**

**Example:** Have you set yourself a Target Retirement Age? Is this still accurate? See page 4 for details.

**How much money will you need for a comfortable retirement?**

**Example:** Find out when you can claim your State Pension by trying the age calculator at www.gov.uk/calculate-state-pension.

**Do you know how much your IWDC pension pot is currently worth?**

**Tip:** Check your Annual Benefit Statement which is sent out at the end of the year or email dc@rpmi.co.uk for an update.

**Are your investments helping your pension to grow?**

**Tip:** Read the Investments Guide in the IWDC section at www.railwayspensions.co.uk. This step-by-step booklet looks at current investment choices, how you might feel about risk and managing your own funds, and the importance of regular fund reviews.

**Don’t forget...**

If you want to ‘top up’ your IWDC pension pot, you can pay more money in. These extra payments are called Additional Voluntary Contributions (AVCs).

Find out more or download an application form from the IWDC section at www.railwayspensions.co.uk.
You may have heard about the new freedoms available to workers like you who are paying into a defined contribution (DC) pension scheme.

Your IWDC pension pot will be an income when you retire – along with any other investments, savings and pensions you might have – so it’s a good idea to understand what these freedoms mean. Read more about them on page 6.

It’s also a good idea to check whether you’re actually making enough contributions.

As a general rule of thumb, you should consider paying contributions equivalent to half your age multiplied by your salary (this would include contributions made by your employer).

So, for example at age 25, a good target might be 12½ per cent, or 20 per cent at age 40. Remember that you get tax relief too!

It might also be worth increasing the percentage you put into your pension every time you get a pay rise.

The current value of your IWDC pension pot can be found on your Annual Benefit Statement.

Email dc@rpmi.co.uk or ring the Helpline on 0800 2 343434 if you need more help.

Finally, the RPMI Railpen investment team is very keen to hear your views on the new pension freedoms and your plans for retirement, so please spare a few minutes to complete the survey on page 8.

It’s anonymous and confidential, and will help ensure that the IWDC investment funds are working in your best interests.

With all best wishes

John Chilman
Trustee Chairman

Getting in touch

If you have a query about your IWDC Section pension, email: dc@rpmi.co.uk.

The Helpline is open Mon to Fri, 8am-5pm. Tel: 0800 2 343434.

If you have a query about an issue raised in this newsletter, a story idea, or some general feedback, email insight@rpmi.co.uk or log into: www.railwayspensions.co.uk and fill in the survey in the Insight newsletter section (under Resources). Scan the QR code to go straight to the survey.
What are contributions?

When you retire, the value of your pension pot is based on:

Contributions made by you and your employer + The investment returns on these contributions

You also get tax relief on your pension contributions – so you will see less money actually taken out of your take-home pay.

For example:

Remember: If you contribute even one per cent more into your Personal Retirement Account every pay day, your benefits will be better in the long term.

You can start paying Additional Voluntary Contributions (AVCs) at any time. The earlier you start, the longer your investments have to grow so let the accumulated interest do the hard work for you! Find out more about AVCs at www.railwayspensions.co.uk.
Your **Target Retirement Age** (TRA)

Your Section’s Normal Retirement Age is typically between 60 and 65 depending on your employer. However you can choose to retire earlier or later - this is called your Target Retirement Age.

Your TRA can be as low as your Minimum Pension Age (see opposite page for details) or as high as age 75.

If you have chosen your own TRA, is it still accurate? If you invest in the Lifestyle Strategy, your TRA will be the driving factor behind the assets you invest in as you get closer to retirement.

Review your TRA regularly to make sure it’s still right for you. If your retirement plans have changed, you must tell pensions administrator RPMI so they can make sure your investment strategy is appropriate for you.

Email [dc@rpmi.co.uk](mailto:dc@rpmi.co.uk) to check, or change, your current TRA.

**How do investments work?**

Your contributions are invested in carefully chosen funds, with the long-term aim of building your pension savings.

You decide how much to pay in to your pension… and you can also choose investments to suit your retirement needs.

**Risk levels**

If you haven’t made your own IWDC investment choices, you will be opted in to a Lifestyle Strategy.

This automatically moves your contributions into funds which are thought most appropriate for your age and the amount of time left until your expected retirement, based on the TRA you have given to RPMI.

As you get closer to retirement, your investments are moved from ‘higher risk’ funds (which have a higher potential for growth) into funds with a lower risk of losing value.

This is why it is very important to tell RPMI your Target Retirement Age. Otherwise you may be invested in funds that don’t suit your circumstances.

If you’re not sure about your retirement plans or investment choices, you can find a list of independent financial advisers in your area at [www.unbiased.co.uk](http://www.unbiased.co.uk).

Fund factsheets are available in the IWDC section at [www.railwayspensions.co.uk](http://www.railwayspensions.co.uk).
Understanding: your minimum pension age

What is the difference between:

**Minimum pension age:**
The lowest age that you are allowed to start taking benefits out of your pension scheme.

**State Pension age:**
The earliest age that you can start claiming your State Pension. Check your State Pension age at www.gov.uk/calculate-state-pension.

You can’t take any of your benefits out of the Railways Pension Scheme before you reach your minimum pension age. This is currently either 50 or 55, depending on when you joined the Scheme. In general, if you were an active member at 5 April 2006, you may have a protected pension age of 50. Otherwise, it will be age 55.

However, the government plans to raise the minimum pension age from 55 to 57 by 2028. It is proposed to continue rising in line with future changes to the State Pension age, but will always remain 10 years below it.

Knowing your minimum pension age and State Pension age might help you think about when you can afford to retire.

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Don’t be a victim

**A top pensions watchdog warns members to be on their guard against a growing number of scams.**

Since the Pensions Regulator launched its anti-fraud campaign last year, scammer tactics have become ever more sophisticated.

Home visits from ‘introducers’, claims about ‘legal loopholes’ and unusual investments like overseas property or storage units are being used to trick people into illegal or very risky pension transfers.

The truth is that these members often never see their pensions again.

In particular, the new pensions freedoms have led to concern that fraud victims will be persuaded to take their benefits as 100% cash. In the most extreme cases, an individual could lose their entire pension fund and face a hefty tax bill.

For more advice on how to avoid fraud, visit www.thepensionsregulator.gov.uk/pension-scams.
What are your new DC pension freedoms?

New pension laws have come into effect, giving you more choice over how you can take your benefits.

Before April 2015, DC pension scheme members (such as the IWDC Section) had limited choice.

In fact, for many, the only real options were to take up to 25 per cent of their fund as a tax-free lump sum and buy an annuity with the rest.

Your new flexible options

From April 2015, if you are over the age of 55 (or 50 if you have a protected pension age), you will still be able to take up to 25 per cent of your IWDC pension fund as a tax-free lump sum.

With the rest of your fund, you can choose from these options:

- Buy an annuity
- Withdraw it in full
- Take payments known as drawdown

For all the above options, any payments made to you are subject to income tax.

Or: You can take up to 25 per cent of your fund as a lump sum and keep the rest invested. You can use it as income at a later date and any unused funds can be passed on to a beneficiary when you die. Find out more on page 7.

Or: There is another approach to drawdown. This means not taking a tax-free lump sum when you retire, but rather using your pension pot to take a series of lump sums over the years. Each of these lump sums will be 25% tax free, with the rest taxed as income.

Your pension is a valuable asset – please think carefully about making any decisions about how to use it.

It’s important to note that pension schemes don’t have to offer all of the new options. For example, the IWDC Section does not currently offer drawdown, although it may do so in the future. However, if you want to use drawdown when you retire, you should be able to transfer your funds to another provider to do so.

The government has set up a free and impartial service called Pension Wise to help DC members understand their options. Find out more at www.pensionwise.gov.uk, contact your local Citizens Advice Bureau or call the Pensions Advisory Service on 0300 123 1047.

Your pensions administrator RPMI currently works in partnership with financial advice provider LEBC. Initial consultations for IWDC members will be free of charge but a fee is charged for further services.

You can contact LEBC via:

Freephone: 0800 032 7251
From mobiles and overseas
Tel: 0113 854 0642
Email: rpmi@theretirementadviser.com
What happens to unused DC funds if you die...

**Before age 75**

Your unused funds can be passed on to your beneficiaries as a tax-free lump sum. They will pay no tax on it, whether it is taken as a one-off lump sum or through drawdown.

**At age 75 or later**

You can pass on unused funds to your beneficiaries, who can:

- take the pension funds flexibly (at any age) at the marginal tax rate; or
- take it all as a lump sum payment, subject to a 45% tax charge.

The above changes were announced in 2014 to reduce the amount of tax paid in these circumstances.
Your new pension freedoms: tell us what you think

What do you think about the new options? What will you do with your DC pension pot?

Insight has drawn up a short IWDC member survey which will only take a few minutes to complete. No personal details are required so it’s completely confidential and anonymous.

Your answers will help the Trustee and the team responsible for the IWDC investment choices check that the available funds and retirement options are working in your best interests.

Please type https://www.surveymonkey.com/s/IWDCmember into your browser, or scan the QR code to complete the survey.

Thank you!

Pension Wise is here

Your new pension freedoms give you more choice – but they also mean making some very important decisions.

This is why the government is offering free, independent guidance about your DC fund choices when you retire through a new service called Pension Wise. Visit www.pensionwise.co.uk for details.

Please note: this service is only available to people who are near retirement.

Guidance is also available from:

- Citizens Advice Bureau (face to face)
- The Pensions Advisory Service (telephone and online)

All these services are free, but will not recommend products or providers.

You may want to get advice from a regulated financial adviser before making a decision about how to take your DC funds (fees will apply).
Changes to pension pot transfers

‘Pot follows member’ is a new government initiative, linked to changes in time limits for refunds and the numerous small pension pots that can be built up by workers who frequently change jobs.

The long-term aim is to allow an easy, automatic transfer of DC pension pots from job to job.

However, the initiative is being introduced gradually. This first phase is planned for members who change jobs after October 2016 and want to transfer their pension.

You may be eligible if:
- your first IWDC contributions were received on or after July 2012; and
- your pot is worth £10,000 or less.

Please note: members can already voluntarily transfer funds between eligible schemes if they want to do so. The ‘Pot follows member’ plan aims to make the process even easier.

If you don’t get a refund, or choose not to transfer your benefits to another scheme, your pension pot will stay invested in the IWDC Section until you want to use it as an income. See FAQs at www.railwayspensions.co.uk for more details about leaving/changing jobs.

If you have any specific questions, email dc@rpmi.co.uk or telephone the Helpline on 0800 2 343434.

What happens:

to my contributions if I decide to leave the IWDC Section?

From 1 October 2015, new IWDC members will only be able to receive a refund of their contributions if they decide to leave the Section within 30 days of qualifying service.

If you are already a member – and joined before 1 October 2015 – your qualifying period for contribution refunds still stands at two years if you decide to opt out.

However, you may be affected if you leave the IWDC Section and join another pension arrangement.
The new DC pension freedoms have dominated the headlines, but there are other important developments to think about.

**Pension charges**
The government has been looking at pension charges and how they affect the value of DC funds. An annual cap of 0.75 per cent is being introduced on charges for ‘default funds’ in DC schemes (see right), which are being used for automatic enrolment.

**Does this charge affect you?**
The cap doesn’t directly affect the IWDC Section because the fund charges for the ‘default’ Lifestyle Strategy don’t exceed the new charge cap.

However, the charge cap level will be reviewed in 2017 to see if it should be amended or lowered.

**IWDC governance**
Running alongside the charge cap, good scheme governance is also being promoted. Trustees are expected to publish an annual governance statement to show whether they are following The Pensions Regulator’s DC code of practice.

The IWDC Section’s governance statement is included in the Railways Pension Scheme 2014 Report and Accounts, which will be available online at www.railwayspensions.co.uk in June.

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**What is a default fund?**
You can currently apply to take your benefits from age 55 (or age 50 if you were a member of the RPS on or before 6 April 2006).

If you haven’t chosen your own funds, your investments have been automatically invested in the IWDC Section’s ‘default’ fund.

This is a Lifestyle Strategy which invests in the Long Term Growth Fund until 10 years before target retirement age. The Lifestyle Strategy then gradually changes the funds you are invested in to reduce the risk of a sudden fall in the value of your pension pot in the years leading up to retirement.

Read about your Lifestyle Strategy options in the IWDC section at www.railwayspensions.co.uk.
You may have noticed that the Railways Pension Scheme website has been given a makeover.

The site – at www.railwayspensions.co.uk – is easy to navigate and use, and jargon’s been kept to a minimum. It’s easy to access on mobiles and tablets too.

There’s a dedicated area for IWDC members where you can find out about Railways Pension Scheme benefits, Additional Voluntary Contributions, investments, and lots more.

IWDC members can’t register for a myRPS account yet. However, once registration is available, you will be able to access personal information about your own:

- benefits
- retirement options
- contributions

You will also be able to review your investments to make sure they’re still right for you, update your Nomination form and check important pension news.

Log your email address at www.railwayspensions.co.uk/IWDC and we will send you an email alert when myRPS account registration is available for IWDC members.

Share your experiences and help other members

Do you have any positive experience about your membership – whether it’s choosing investments or updating your Nomination form – that could be used as a case study on the new website to help other members get the most out of their pension?

Drop us a line at: insight@rpmi.co.uk and we’ll be in touch.

The general election

This newsletter went to print before the general election in May 2015. Any proposals drawn up by the new government will be posted on the Railways Pension Scheme website.
Can I take **my benefits** and still pay into a pension?

Yes. But the new options have led to changes in the Annual Allowance. This is the limit on the amount you can save tax-free in all your pension arrangements every year.

The standard Annual Allowance currently stands at £40,000 for every tax year.

However, a reduced Annual Allowance of £10,000 is being introduced for anyone with DC savings who has already flexibly accessed their DC funds. This reduced allowance doesn’t replace the standard Annual Allowance – it works alongside it so you may still be able to save up to £40,000 if you are paying in to a defined benefit scheme too.

Find out more about the Annual Allowance in a Read as You Need guide in the Resources section at www.railwayspensions.co.uk.

Global Equity Fund **change**

One of the IWDC investment funds is the Pension Saver Global Equity Fund.

This invests in global equities with the aim of providing returns in excess of inflation over the long term. The Trustee has decided that this objective can be achieved more efficiently using a passive management approach. As a result of this change in the management style, the ongoing Fund charges will be lower. The Fund’s objective remains the same.

All the Pension Saver fund factsheets are available in the IWDC section at www.railwayspensions.co.uk.

Your **Nomination form** is very important

Unfortunately nearly half of IWDC members haven’t kept their nominations up to date – or completed a Nomination form at all!

The form tells the Trustee (which looks after your interests as an IWDC member) who you would like to receive any lump-sum death benefits that may be paid to your beneficiaries if you die while working and contributing to the Scheme. This sum could be worth up to four times your salary (check with your employer) and is generally not liable for inheritance tax as it is paid under ‘discretionary trust’.

Download and print out a Nomination form from the IWDC section at www.railwayspensions.co.uk, complete it and return it to RPMI.