

A guide for members if your pay has been restructured

Please read this important information. This leaflet explains:

- who may be affected by restructuring premiums;
- definitions of important terminology; and
- how your pension and lump sum are calculated.

This leaflet is only a broad summary of how Restructuring Premiums operate. It describes the retirement benefits which are available to members of the Railways Pension Scheme whose pensionable salary contains one or more Restructuring Premium(s). You should read this leaflet together with your Scheme booklet 'A guide for members', as it supports the benefits described in that booklet. Your entitlement to benefits from your Section of the Scheme is governed by the pension trust deed and your Section's rules, **not** this leaflet.

■ Who has a restructuring premium?

A Restructuring Premium applies if your employer has 'restructured' your earnings and made additional elements of your salary pensionable. 'Restructuring' is a change that your employer has agreed either directly with you or with your trade union on your behalf. Please note you won't receive a Restructuring Premium(s) if you joined your employer after the date the agreement came into force as the restructured amount will be included in your Pensionable Pay. However, if you move roles within your existing Section, Restructuring Premium(s) may apply depending on the nature of the agreement and the roles involved.

Restructuring applies to all agreements where either:

- Some or all of your non-pensionable earnings become pensionable. This will be for future service only, from the date the agreement begins (or from a later date which has been agreed);

or

- An increase in your earnings is considered pensionable. This will be for future service only, from the date of the increase (or another agreed date).

■ Joining a new employer's Section

If you leave employment and had a Restructuring Premium in that Section, you would start your membership in your new Section with no Restructuring Premium. If you then transfer your past benefits into your new Section, the amount of membership you are granted will be adjusted to take account of the previous combination all-service Pensionable Pay and Restructuring Premium(s).

■ Definitions

Restructuring Premium

This is either:

- a part of your earnings which was previously non-pensionable but becomes pensionable for future service from the date your earnings were restructured (or another agreed date);

or

- an increase in your earnings which is pensionable for future service from the date your earnings were increased (or another agreed date).

You may have one or more Restructuring Premium(s) with different dates.

Pensionable Restructuring Premium

This is the yearly amount of each Restructuring Premium (calculated on 1 April each year). This is mainly used to work out your contributions.

If you have more than one Restructuring Premium, you will have more than one Pensionable Restructuring Premium.

Final Average Restructuring Premium

This is whichever is greater between:

- the average of your Restructuring Premium(s) over 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(s) over the 12 months before you take your benefits, leave your Section of the Scheme, or die (whichever is earlier).

Final Average Restructuring Premiums are used to work out your benefits.

If you have more than one Restructuring Premium, you will have more than one Final Average Restructuring Premium.

Section Pay

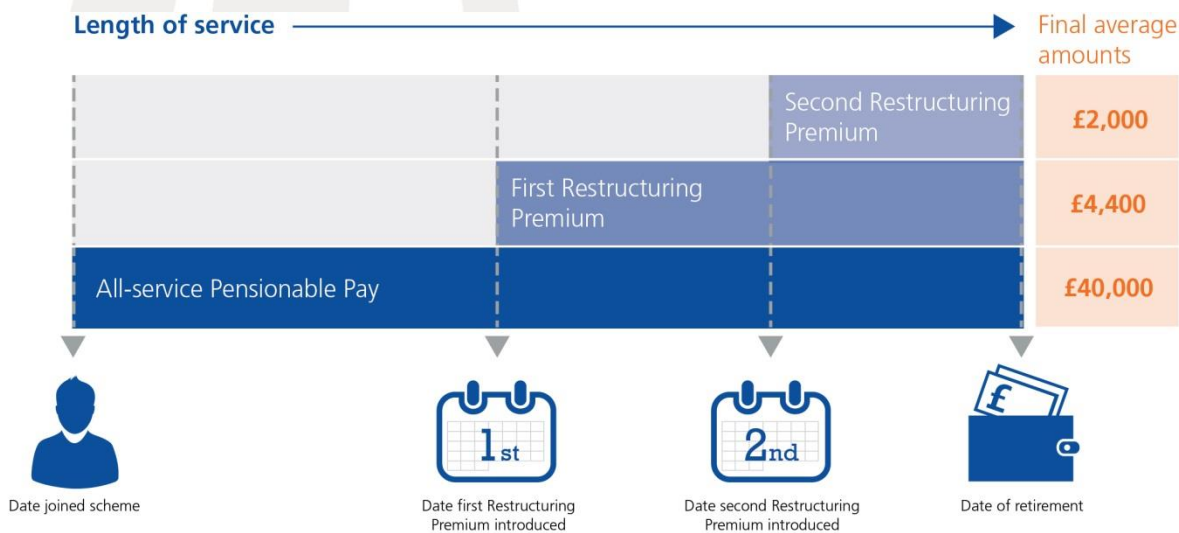
This is your Pensionable Pay plus Pensionable Restructuring Premium(s), less one-and-a-half times the single person's Basic State Pension.

Your Section Pay will never be less than half of your Pensionable Pay plus your pensionable Restructuring Premium(s).

■ How are my benefits calculated?

As well as the benefits explained in 'A guide for members', you will receive additional benefits for each Restructuring Premium which has been introduced. Those benefits will be based on your Final Average Restructuring Premium(s) and the number of years and days of pensionable service you have in each Restructuring Premium.

For example:



The diagram above shows an example of a member who has two Restructuring Premiums. The figures are used in the following example calculations.

■ Your pension

Please note: The following examples assume a pension accrual rate of 1/60th for each year of membership and a lump-sum accrual rate of 1/40th. You should check your 'A guide for members' booklet to see if this applies to you.

Your all service pension is worked out as:

- Your final average Section Pay (see the previous page for details of how this is calculated)
- Divided by 60
- Multiplied by your total number of years' and days' membership

Each restructured premium(s) pension is worked out as:

- Your Final Average Restructuring Premium
- Divided by 60
- Multiplied by your number of years' and days' membership since receiving this Restructuring Premium

We use the 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.

Using the example:

- Your all service pensionable pay is £40,000
- The basic state pension is £5,800
- Your first Final Average Restructuring Premium is £4,400 and your second is £2,000
- You have 40 years' membership in total
- The first Restructuring Premium has been in place for ten years and the second for five years

All service pension calculation

$$£40,000 - (1.5 \times £5,800) / 60 \times 40 = £20,867$$

First Final Average Restructuring Premium pension calculation

$$(£4,400 / 60) \times 10 = £733$$

Second Final Average Restructuring Premium pension calculation

$$(£2,000 / 60) \times 5 = £167$$

$$\text{Total pension} = (£20,867 + £733 + £167) = £21,767$$

Please note: If half of your final average pay is more than your Section Pay, the calculation will be slightly different.

■ Your lump sum

The lump sum you receive from your Section of the Scheme will also increase for each Restructuring Premium.

Your all service lump sum is worked out as:

- Your final average pay
- Divided by 40
- Multiplied by your number of years' and days' membership

Each restructured premium(s) lump sum is worked out as:

- Your Final Average Restructuring Premium
- Divided by 40
- Multiplied by your number of years' and days' membership since receiving this Restructuring Premium

Using the example:

- Your final average pay is £40,000
- Your first Final Average Restructuring Premium is £4,400 and your second is £2,000
- You have 40 years' membership in total
- The first Restructuring Premium has been in place for ten years and your second for five years

Final average pay calculation

$(£40,000 / 40) \times 40 = £40,000$

First Final Average Restructuring Premium

$(£4,400 / 40) \times 10 = £1,100$

Second Final Average Restructuring Premium

$£2,000 / 40 \times 5 = £250$

Total lump sum = $(£40,000 + £1,100 + £250) = £41,350$

Please note: For the purpose of working out your lump sum, the total of your final average pay and Final Average Restructuring Premium(s) is restricted to 12 times the single person's final average basic State Pension.

■ Additional information

The amount of your Restructuring Premiums is added to your Section Pay (i.e. your Pensionable Pay minus 1.5 times the basic State Pension) when calculating your contributions.

Your Restructuring Premium(s) are included when calculating all benefits, including early retirement, ill-health retirement, death lump sums and dependants' pensions.

All read as you need information is available on www.railwayspensions.co.uk or from the Helpline on **0800 2 343434**.

Disclaimer

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Although every effort has been made to ensure that the information given in this leaflet is accurate, none of the information given can give you legal rights to benefits that differ from those provided in the pension trust and rules.

Helpline: **0800 2 343434**
Website address: www.railwayspension.co.uk
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We recommend that you get independent financial advice before making any important decisions about your pensions arrangements.