

TfL Pension Fund: Join and stay!

Our long-standing pension fund is currently under potential threat.

So TSSA as part of its response is mobilising a programme to ensure members and co-workers are fully on-boarded to current benefits under the existing scheme!

But for many people – especially younger people, including fellow-members who are currently apprentices or graduates – the need to think about retiring or maintaining a decent pension scheme can be crowded out by thoughts of struggling to pay rent or cover housing costs during a cost-of-living crisis.

Yet the opportunity to contribute to one of the UK's best pension schemes remains a hard-won benefit for TfL workers because in today's perilous economic climate, most UK workers cannot access similar schemes.



What is a pension?

Think of your pension as deferred pay, to finance two or even three decades of life after work. The UK state pension, already the lowest against comparable western economies, offers subsistence levels of income (see below). And most other UK occupational pension schemes offer very poor Employer contribution levels – if, indeed, TfL turns out to be one of (many) jobs within your working life.

Will the State Pension be enough?

UK workers and employers pay National Insurance from which the UK Government funds the State Pension, payable at State Pension Age (currently 66 but increasing to 67 between 2026 and 2028 before rising to 68 at some point after that – and onwards and upwards into the future).

Provided you have contributed at least 10 years' worth of NI contributions, you will be entitled to some State Pension but to receive the full pension you require 35 years of contributions. The full State Pension in the current financial year (2023/24) is worth £203.85 a week (£10,600 annually). One of the lowest within the OECD economies. And requiring **35** years NI contributions!

The site <https://www.retirementlivingstandards.org.uk/> reconfirms the dire standard of living generated by 35 years of contribution to the state pension! Which is why successive governments want workers 'auto-enrolled' into workplace pension schemes - in addition to paying into the State Pension. But most of these occupational schemes involve very low Employer contributions, meaning very low pension income outcomes for UK workers.

Where does the TfL Pension Fund fit in?

So you should consider your TfL Pension Fund occupational (workplace) pension as a key pillar, perhaps even the pillar supporting your financial wellbeing in retirement.

The overwhelming majority of TfL workers join the TfL pension scheme. On retirement, the Pension Fund will pay a separate pension, additional to the very small State Pension paid by the Government.

The TfL Pension Fund, in common with other occupational schemes, also attracts contributions from the employer that go towards further increasing members' pensions.

Members of the TfL Pension Fund pay a fixed 5% of pensionable pay towards their future pension whilst TfL currently contributes four to five times that. This means Pension Fund members enjoy substantial retirement benefits. Something the Employer may be working to change.

Do I get tax relief on my pension contributions?

In addition, pension contributions deducted from your salary are taken out before tax which means that you pay tax on what is left rather than all of your salary.

What do I get from my TfL Pension?

The TfL Pension Fund is classed as a Defined Benefit Final Salary scheme because when you retire, a calculation will be carried out based on your final twelve months' salary and the number of years you have been contributing to the scheme.

More information on how that works can be found on the TfL Pension Fund website (<https://tfl.gov.uk/pensions/your-pension/retirement>) and is also the subject of our Monthly Briefing Number 2 "How your pension is worked out" published at the same time as this leaflet.

The benefits that you receive from your TfL Pension Fund membership include:

- A pension paid four-weekly when you retire
- The potential for a lump sum payment on retirement
- Availability of an Ill-Health Pension (based on medical evidence)
- Death in service lump sum in the event of your death before retirement
- Provision for a pension for your spouse and dependents on your death.

Is the TfL Pension Fund comparable with other schemes?

Many workers can no longer access Defined Benefit schemes like the TfL Pension Fund but, instead, are offered inferior arrangements based on what is known as a 'Defined Contribution' (DC) pension. DC pensions are really nothing more than glorified savings plans. They do not pay out a pension themselves but enable the member to take a pot of money when they retire and either purchase an annuity (pension provided by an insurance company) or use it to draw down cash. Both are very inferior substitutes to drawing a Defined Benefit pension.

Some public sector employers offer a form of Defined Benefit scheme known as CARE (Career Average Revalued Earnings). These require higher contributions from members whilst also preventing retirement (without reduction) until 6 to 8 years later than age 60 in the TfL Pension Fund.

Join TSSA: www.tssa.org.uk/join

The logo for TSSA, consisting of the lowercase letters 'tssa' in a white, sans-serif font, with a white wavy line underneath.