

TfL Pension Fund: How it works in London Underground

The TfL Pension Fund was established in January 1988 but is currently under review and may end up as part of a public sector scheme like the LGPS (Local Government Pension Scheme).

For this reason, we are embarking on a programme of ensuring members are aware of the benefits of their current TfL pension so that you will know what you may lose.

Our strong message to our members – and to TfL – is that we oppose any detrimental change to your existing pension.

In this briefing to TSSA members in London Underground we want to explain and highlight how your existing scheme works for you in the job you do and what that means when you come to retire.

What sort of pension is the TfL Pension Fund?

The Pension Fund in LU is the same as the one available to employees in TfL and RfLI and is known as a 'Defined Benefit (DB) scheme'.

The Pensions Regulator describes a DB scheme as "one in which the rules of the scheme specify the rate of benefits to be paid."

In the TfL Pension Fund the rate of benefits (eg, pension) are based on a calculation that includes the employee's Final Salary. This means that it is classed as a Final Salary DB scheme.

How is my pension calculated?

In common with other Final Salary DB schemes, TfL Pension Fund members' benefits are based on a calculation made up of the:

- accrual rate
- number of years of pensionable service,
- final salary.

In the TfL Pension Fund this is expressed as a calculation:

- $1/60 \times \text{pensionable service} \times \text{pensionable salary}$

This means:

- 1/60th is the annual rate that you accrue membership in the scheme
- Pensionable service is the number of years you have been a contributing member of the Fund (eg, 20 years membership = 20 x 60ths of accrual)
- Pensionable salary is the amount of your final year's pay that is counted towards your pension calculation. This is usually your basic annual salary, but it may include any additional permanent allowance, subject to the agreement of the Fund's Trustee and your employer.

The Rules here are complex but for a 'New Member' (someone who joined the Fund after 1st April 1989) a deduction equivalent to the Lower Earnings Limit (currently set at £6,396 a year) is made from your basic annual salary: pensionable salary of £30,000 minus £6,396 = £23,604. The figure used in the calculation would therefore be £23,604.

Can I take a lump sum?

There is no automatic lump sum from the TfL Pension Fund when you retire. Instead, if you decide you would like to obtain a tax free lump sum you will have to convert (give up) some pension in to a lump sum under a process known as 'commutation'.

The maximum amount of tax free lump sum equates to 25% of the value of your total pension at retirement.



At what age can I take my pension?

The Retirement Age in the TfL pension Fund is 65 but you are able to take your pension without reduction from the Normal Retirement Age which is age 60.

You can also take your pension from age 55 which is the Minimum Pension Age. For members of the Pension Fund classed as Existing Members (who joined the Fund before 1st April 1989), the Minimum Pension Age is 50. However, if you chose to take your pension earlier than age 60, your pension will be reduced (eg, at age 55, you would lose 18%).

If I retire at 60, when can I claim my State Pension?

Your State Pension is paid when you reach State Pension Age (SPA), currently age 66 but increasing on a phased basis to 67 between 2026 and 2028. The Government intend to increase it to 68 but it is currently uncertain when that will happen.

If you retire before your SPA, the TfL Pension Fund offers a Variable Pension. This allows you to receive a higher pension until your SPA and a reduced one from then on, regardless of whether or not you take a lump sum.

Does my pension increase with the cost of living after I retire?

After you retire, your pension will increase but the extent of the increase depends on whether you are classed as a New Member or an Existing Member (see earlier). Pensions for both types of membership increase annually by the Retail Prices Index (RPI) inflation measure but for New Members the increase is capped at 5%.



If I die, do my spouse and dependents receive any financial help?

If you die after retiring, and provided you have completed at least two years pensionable service whilst working for LU, your spouse (referred to as an adult dependent) will receive for life a pension that is half of what you were entitled to receive. Dependent children also have an entitlement (see the TfL Pension website at: <https://tfl.gov.uk/pensions/your-pension/benefits-on-death>)

What happens if I die whilst still working for LU?

In the event of your death whilst still in service, a lump sum payment based on four times your pensionable salary will be paid at the discretion of the pension scheme trustee. In addition, your spouse (adult dependent) will receive half of your pension. Please see the TfL Pension Fund website for more information.