

# How your pension is worked out

## What sort of pension is the TfL Pension Fund?

The TfL Pension Fund 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 (the annual rate at which your pension accumulates)
- number of years of pensionable service,
- final pensionable salary.

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

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

This means:

- $1/60^{\text{th}}$  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 =  $20 \times 60^{\text{ths}}$  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 1<sup>st</sup> 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.

An example: A New Member who retired after twenty years' service and with a pensionable salary (less the Lower Earnings Limit) of £23,604 would be entitled to a pension worth £7,868 a year.

For members of the Pension Fund classed as **Existing Members** (those who joined the Fund before 1st April 1989), there is a deduction of £10.10 a year for pensionable service from 1 October 1993.

## Attack points

One of the options the pension scheme review is considering is moving to what is known as a CARE (Career Average Revalued Earnings) type of pension. This is another form of DB pension but based on the figures in TfL's 'Pensions Options Paper' (Graphs 12-15) published in October 2022, virtually all members under the Government's proposed choice of the LGPS (Local Government Pension Scheme) would be worse off ten years after retirement.



It is also not a straight comparison with your existing pension because not only will you have to pay more – you would have to wait longer – as much as 6-8 years longer – to be able to claim the revised pension without penalty – and then would have fewer years in retirement drawing your pension.

## Workers would spend fewer years in retirement and be the poorer for it.

### GET INVOLVED

We'll be organising some briefings about this on Teams and there'll be opportunities to get involved in the campaign – for more information see <https://bit.ly/tflpaypensionspolicies> or email [tfl@tssa.org.uk](mailto:tfl@tssa.org.uk)

