



A GUIDE TO OPTING OUT (Active Members)

Notice for the visually impaired

Copies of this guide in large type and in a text-only format are available from the Fund Office. Please write to TfL Pension Fund, 8th Floor, Palestra, 197 Blackfriars Road, London SE1 8NJ, or email the Fund Office at helpdesk@tflpensions.co.uk



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INTRODUCTION

This guide is for contributing members of the TfL Pension Fund who are considering opting out of the Fund. The purpose of this guide is to provide you with some general information covering both the process and the things you should consider when deciding whether to go ahead with opting out.

IMPORTANT NOTE

The TfL Pension Fund (the Fund) is established under a Trust and the formal Trust Deed and Rules determine the benefits provided by the Fund except where they are overridden by legislation.

The guide attempts to summarise the provisions of the Trust Deed and Rules as at November 2023 that are relevant to active members looking to opt out of the Fund. However, it is only a guide.

The Trust Deed and Rules are lengthy and technical documents, but they are available on the Fund's website (www.tflpensionfund.co.uk) or on request to the Pension Fund Office of TfL (the Fund Office).

In short, should there be any discrepancies between the information in this guide and the Trust Deed and Rules, the Trust Deed and Rules will always prevail.

If you have any questions about the Fund and the benefits it provides, you should contact the Fund Office. Please see the back cover for details.

USING YOUR GUIDE

Pensions can be complicated. This guide gives an overview of the benefits provided by the Fund. It makes things as clear as possible so that you can understand your benefits and options, no matter what you have planned for the future.

This guide is meant for you if:

- ◆ You are an Active member
- ◆ You are considering opting out of the Fund

MY CHECKLIST

- Read the complete Guide
- If you have any questions contact the Fund Office
- If you wish to opt out, please complete an opting-out enquiry form and return it to the Fund Office
- Once we receive your enquiry form we will provide you with an opt out pack. You should read the pack and consider the consequences of opting out carefully, and consider whether you need to take appropriate financial advice
- If you decide to opt out, complete the opting-out form and return it to the Fund Office

OPTING OUT OF MEMBERSHIP

You are not required to be a member of the Fund. If you would like to opt out of membership, you will need to complete an opting out form, giving us at least one month's notice. The opting out form is available from the Fund Office.

Please seriously consider the benefits you will be giving up before you make this decision, the Fund is designed to provide financial security while working and in retirement for members and their dependants. Membership is fully endorsed by the trade unions and your employer who also makes contributions to the Fund on your behalf. The main features are:

- ◆ You get tax relief on your pension contributions
- ◆ Retirement benefits that are based on your pensionable salary in the last year before retirement
- ◆ Pensions in payment are increased on 1st April each year in line with the Retail Prices Index over the 12 months ending in the previous September, up to a maximum of 5 per cent if you joined after 1 April 1989
- ◆ An immediate or enhanced pension may be payable if you have to retire early due to ill health
- ◆ If you die before retirement a death benefit lump sum of four times your pensionable salary may be payable at the discretion of the Trustees. If you have been a member of the Fund for more than two years pensions adult dependants and eligible children's pensions may also be paid

You may want to take independent financial advice before making a final decision.

However, if you still decide to opt out of the Fund, you will be entitled to the same benefits as if you had left service, although you cannot draw a pension until you actually leave service. See page 6 for more details on deferred pensions.

If you do decide to opt out of the Fund, you will need to consider alternative arrangements for your retirement, although note that your employer will be required to auto-re-enrol you periodically in accordance with the auto enrolment legislation.

Rejoining after opting out

If, after opting out, you want to rejoin the Fund, you may be able to do so if your employer and the Trustee both give their agreement. You must also be in good health and you may be asked for evidence of this. In any event, the law requires that you are automatically re-enrolled periodically.

You can obtain more details about this from the Fund Office.

Automatic enrolment

The Fund is a qualifying pension scheme for the purposes of automatic enrolment.

Automatic enrolment requires companies in Great Britain and Northern Ireland to automatically enrol (and periodically re-enrol if they have opted out) certain employees into a qualifying workplace pension scheme. The scheme must meet certain minimum legal standards, which the Fund, in fact, exceeds.

Your benefits if you opt out

If you opt out of the Fund, you are still entitled to any pension benefits you have built up in the Fund as a contributing member.

Types of benefit on opting out

The type of benefit you receive depends on how long you were in pensionable service and how old you are when you opt out:



Less than two years pensionable service at any age

If your pensionable service is less than two years when you opt out, you are entitled to a refund of your contributions as a lump sum. Note that your employer's contributions are not refunded.

As your contributions are deducted from your salary before tax, HMRC reclaims some of the tax at a special tax rate. This is currently 20 per cent (assuming your contributions are not more than £20,000) and will be deducted directly from your lump sum refund amount before you receive it.

However, if your pensionable service is three months or more you may, as an alternative to a lump sum refund, choose to either retain a deferred pension in the Fund or transfer the value of your Fund pension to another

approved pension arrangement. See page 6. If you are over age 60 the deferred pension is payable from the date you leave employment.

You will have 3 months from the later of your date of opting out and the date we issue you with your leaver options to elect to retain a deferred pension or tell us you wish to transfer the value of your pension to another approved pension arrangement. If we do not hear from you within 3 months, a refund of your contributions will be the only option available.

Two years or more pensionable service

If your pensionable service is two years or more when you opt out, you are entitled to retain a deferred pension in the Fund or a transfer of the value of your Fund pension to another approved pension arrangement. See page 6 for more information.

DEFERRED PENSION

On opting out of the Fund, you will have earned a pension that is based on your pensionable service up to the date of opting out and your pensionable salary. This is called a deferred pension.

Your annual deferred pension is calculated as follows:

$$\frac{1}{60} \times \text{your pensionable service at date of opting out} \times \text{your pensionable salary at date of opting out} = \text{your annual pension at date of opting out}$$

Your deferred pension will usually be paid when you reach age 60 unless you are still in service at that date in which case it is payable from the date you leave service. Once you have left service you can choose to take it earlier (see below for further details). You may, in certain circumstances, defer your pension beyond age 60 – see [Deferring your pension after age 60](#) (page 7) for details.

Your deferred pension remains in the Fund until it comes into payment, or you decide you want to transfer its value to another approved pension arrangement.

Increases to deferred pensions

Between your date of leaving and retirement your pension will increase. It will increase each April, in line with inflation limited to a maximum of 5 per cent each year for those who joined the Fund after 1 April 1989. If you were a member of the Fund before 6 April 1997, your pension may include an element of Guaranteed Minimum Pension (GMP) as a result of being contracted out of the State Earnings Related Pension Scheme. Any GMP element is increased each April in line with the National Average Earnings Index.

WHAT IS THE EARLIEST AGE I CAN RETIRE?

If you joined the Fund before 6 April 2006, the earliest age you can retire and draw pension is age 50.

If you joined the Fund on or after 6 April 2006 but before 4 November 2021, the earliest age you can retire and draw pension is age 55.

If you joined the Fund after 3 November 2021, then from 6 April 2028 the earliest age you can retire and draw your pension will be 57. If however you reach age 55 before 6 April 2028 you can draw your pension from age 55 onwards, as long as you have drawn your pension before 6 April 2028.

In all cases you can only draw your pension if you have left service and any other applicable conditions are met.

TRANSFERS

You may be able to transfer the value of your Fund benefits to another approved pension arrangement, such as a new employer's scheme or a personal or stakeholder pension. If you want to consider a transfer, contact the Fund Office. The Fund will not charge you for taking a transfer.

The transfer value is the cash equivalent of your deferred Fund pension and is calculated on a basis decided by the Trustee on the advice of the Actuary. The value is paid to your new pension provider, and they can advise you of the benefits that the transfer will provide.

Where the value of your transfer value is more than £30,000 and you want to transfer it to a money purchase arrangement you must take independent financial advice before the transfer can proceed. Even if this does not apply to your proposed transfer, it is recommended that you seek independent financial advice.

Deferring your pension after age 60

As an alternative to drawing your pension at age 60 you will be offered the option to defer payment and receive a bonus of $\frac{2}{3}$ of one per cent for each complete month (8 per cent a year) that your pension remains deferred (provided that it remains deferred for at least six months from age 60).

Note that: If you do not choose this option at the time it is offered, your pension will be paid from age 60 and will be backdated even if you do not claim it until later.

This option is not available if you opted out of the Fund but have not left service with your employer.

If you are too ill to work

If you are unable to work at all, your deferred pension may be paid early, whatever your age, without reduction. The Trustee will need to see medical evidence of your condition and, if it approves, you could receive your pension early.

ON DEATH IF YOU HAVE A DEFERRED PENSION

Lump Sum

A lump sum of $\frac{3}{80}$ multiplied by pensionable service multiplied by pensionable salary applicable at the date that you left service, plus pension increases up to the date of death.

If there are no Adult Dependant or Eligible Children's pensions payable, the lump sum payable is 5 times your deferred pension at the date you left service, plus pension increases up to the date of death.

If you have paid Additional Voluntary Contributions (AVCs) the value of your accrued AVCs will also be payable as a lump sum.

Trustee discretion

If a lump sum benefit is payable following your death, the Trustee has absolute discretion to pay it to one or more persons and in a way they decide is appropriate.

Lump sum death benefits paid from pension schemes are exempt from inheritance tax only if they are paid at the Trustee's discretion.

If a member's estate has a legally enforceable right to the lump sum death benefit, inheritance tax is payable on it, providing the amount qualifies for inheritance tax.

Expression of Wish form

In exercising discretion in relation to the payment of the lump sum benefit, as described above, the Trustee will take into consideration your wishes as indicated on an Expression of Wish form, although the Trustee cannot be bound by your Expression of Wish form.

You may have already completed an Expression of Wish form advising the Trustee of your wishes, but it is important that you make sure that this is kept up to date, particularly if your circumstances change. Changes can include your marital status or number of children.

The Trustee can only consider an Expression of Wish form that they had received prior to a member's death.

An Expression of Wish form can be completed through our Pension Web Portal, alternatively you can download a form from the Fund's website at www.tflpensionfund.co.uk or you can obtain one from the Fund Office.

If you have a Will that sets out how you would like the Fund's benefits to be distributed, please indicate this on your Expression of Wish form. However, bear in mind that if you wish the Trustee to consider making any payment to a charity, this must be notified specifically on an Expression of Wish form.

If you have not completed an Expression of Wish form, or if your circumstances have changed since you last completed one, please complete an Expression of Wish form today.



ADULT DEPENDANT'S AND ELIGIBLE CHILDREN'S PENSIONS

If you had at least 2 years' total membership of the Fund at the date you opted out of the Fund, your adult dependant and or eligible children could receive a pension on your death.

Adult Dependand

An adult dependand can receive a pension of one-half of your deferred pension at the date you opted out, plus pension increases up to the date of death.

If you have a legal spouse or civil partner who is not your adult dependand, they may be entitled to receive a pension in respect of any period of contracted out employment. In this case any adult dependand's pension will be reduced by the amount payable to your legal spouse or civil partner.

Eligible Children

Up to four eligible children can receive a pension at any one time. Their pension is a proportion of your deferred pension at the date you opted out, plus pension increases up to the date of death.

Pensions can be paid to up to four children at any one time. If you have more than four eligible children, a younger child will start receiving a pension once an older child's pension stops. Pensions that are payable to eligible children are a proportion of your pension as follows:

Number of children	Proportion
One	One quarter
Two	One quarter
Three	One sixth
Four	One eighth

If no adult dependand's pension is payable, each child's pension will be doubled.

DEFINITIONS

Adult Dependant and Eligible Children are defined terms under the Fund Rules and these are set out below:

Adult Dependant

A person who is, in the opinion of the Trustee, dependent on you for support and the maintenance of their accustomed standard of living when you die.

Evidence of dependency will be required. An adult dependant's pension is payable for their lifetime. Your adult dependant can be:

- ◆ Your legal spouse or civil partner
- ◆ Your partner, including a partner of the same sex
- ◆ Any other person who is dependent on you

A child over 23 cannot be classed as a dependant.

Eligible Children

Children who are, in the opinion of the Trustee, dependent on you for support and maintenance of their accustomed standard of living when you die.

Evidence of dependency will be required. A child's pension is payable until their 18th birthday, but can continue to their 23rd birthday if still in full-time education or professional or vocational training. An eligible child can be:

- ◆ Your own child
- ◆ An adopted child
- ◆ A stepchild
- ◆ A child for whom, in the opinion of the Trustee, you acted as a parent

For a child who is, in the opinion of the Trustee, mentally or physically disabled at the time you die (or becomes so disabled before the age of 18) and unable to earn an income, the pension can continue for their lifetime.

A child who is born within 12 months of your death, who would have qualified under the above criteria at the date of your death, may also be classed as an eligible child.



FURTHER INFORMATION AND SUPPORT

- ◆ **The Fund's website.** If you have access to the internet, you can find plenty of information at www.tflpensionfund.co.uk
- ◆ **The Fund's Pension Web Portal.** Allows you to run your own retirement quotations online at <https://pensions.tfl.gov.uk>
- ◆ **Annual Review.** The Annual Review is a summary of the Trustees' Annual Report and Accounts and is sent to all members. It is also available on the website
- ◆ **Fund documents.** You can obtain a copy of the Trust Deed and Rules of the Fund and Statement of Investment Principles. These documents are available on request or on the Fund's website
- ◆ **Member guides.** These are available to download from the Fund website and contain details of the benefits payable under the Tfl Pension Fund
- ◆ **Benefit statements.** Details of your benefit entitlement under the Fund and Additional Voluntary Contributions plan will be sent to you once a year
- ◆ **Pension Fund Office.** The team in the Fund Office will be pleased to answer any queries you may have. They cannot give financial advice or deal with tax matters but will be able to advise you who to contact for the assistance you need
- ◆ **AVC provider websites.** The Fund currently has three AVC providers; Standard Life and Clerical Medical are closed to new contributions. Their websites contain details of the Funds available and the investment performance of those funds
 - Legal & General
www.legalandgeneral.com/mya
 - Clerical Medical
www.clericalmedical.co.uk
 - Standard Life
www.standardlife.co.uk/1/site/employeezone/login
- ◆ **Government websites.** The Government have set up services to provide free, impartial money advice to everyone across the UK – online, over the phone and face-to-face. The website contains further details about the services provided and how to access them:
 - Money helper
www.moneyhelper.org.uk





PERSONAL DATA

The Trustee is committed to protecting and processing lawfully and fairly the personal data that it gathers, holds (either directly or through a third party) and uses about you and your family and your dependants. The Trustee needs this information so that they can administer the Fund and ensure that benefits are paid correctly and to the right person. The Trustee always ensures legal requirements governing the protection of personal data are met.

The Trustee has a privacy notice that sets out, amongst other things:

- ◆ More detail about the kind of personal data it holds
- ◆ How it gathers that personal data
- ◆ How that data is used
- ◆ How long the Trustee holds the data for and who it is shared with

This notice also sets out individuals' rights in connection with the personal data that the Trustee holds and who to contact if an individual wants to exercise those rights, make a complaint or has any questions. This privacy notice can be found online at www.tflpensionfund.co.uk

Alternatively, if you prefer a hard copy, please contact the Fund Office.

THE TFL PENSION FUND OFFICE

The staff in the Fund Office will be pleased to answer any queries you may have. They cannot give financial advice or deal with tax matters but will be able to point you to who to contact for the assistance you need.

They can be contacted at:

TfL Pension Fund
8th Floor, Palestra
197 Blackfriars Road
London SE1 8NJ

Email at: helpdesk@tflpensions.co.uk

If you are telephoning the team, you can reach the call centre on **01737 235 298**. Please have your Member number and National Insurance number to hand when you call.

Fund Office appointments

The Fund Office team are working on a hybrid basis so we are now able to see visitors in the office, but with fewer people in the office each day we require that you contact us to book an appointment by email or telephone to ensure that a member of the team is available to help you.

If you have access to the internet, you can access our Pension Web Portal and find lots of information, including forms and Fund documents, on the Fund's website at www.tflpensionfund.co.uk